

Accountancy

NOVEMBER, 1952

Professional Notes

- 357 The B.E.A. and Replacement Costs
- 358 Research in Accounting—The Need for Co-operation
- 358 The *Specialloid* Case
- 358 Stock Exchange Charges
- 359 Egypt and Double Taxation
- 359 Finance for Industry
- 359 The Netherlands Institute of Accountants
- 359 A Novel Issue
- 360 Office Incentive Schemes—
- 360 —and the Setting of Standards

SHORTER NOTES

- 360 Is Distribution Too Costly?
- 360 Trade Mission to Central America
- 360 B.I.M. Conference
- 360 Business Efficiency Exhibition
- 360 Exports to Latin America

Editorial

- 361 Cost Accounting — The American Example Again

Leading Articles

- 362 Leaves from the Notebook of a Professional Accountant—Then and Now—II
- 365 Liability of Accountants for Negligence
- 366 The Oxford Course on Management Accounting

Taxation

ARTICLES—

- 368 Excess Profits Levy—V
- 369 Control
- 370 Settlements—Making Up Deficiency of Income out of Capital

NOTES—

- 371 Changes in P.A.Y.E.
- 371 Wife's Earned Income
- 372 Tax at 75 per cent.
- 372 Ignorance of the Law is No Excuse!
- 372 Section 142, Income Tax Act, 1952
- 372 The F.B.I. on Excess Profits Levy

373 RECENT TAX CASES

THE STUDENTS' TAX COLUMNS—

- 375 Profits Tax

Finance

- 376 The Month in the City
- 377 Points from Published Accounts

378 Publications

Readers' Points and Queries

- 379 Travelling and Hotel Expenses
- 379 Receipts on Cheques
- 379 Capital Allowances
- 379 Cessation

Law

- 380 Legal Notes

Society of Incorporated Accountants

- 381 The President's Visit to Canada and the U.S.A.
- 382 The Need for Capital Accumulation
- 383 The Cost of Exports
- 383 Events of the Month
- 384 District Societies and Branches
- 385 Registration of Bye-Law Candidates
- 385 Personal Notes
- 386 Removals
- 386 Obituary

VOL. LXIII. (VOL. 14 NEW SERIES) NUMBER 711

Professional Notes

The B.E.A. and Replacement Costs

IN ITS FOURTH REPORT, COVERING THE YEAR ENDED MARCH 31, 1952, THE *British Electricity Authority* reiterates its determination to adhere to the historical cost basis of depreciating fixed assets. On this occasion it gives a reasoned argument for not joining the "replacement cost" school of accounting.

The main ground, it states, on which the replacement cost basis has been advocated, is:

that it is the duty of an industrial organisation to maintain its productive capacity intact out of current revenue, and that in a time of rising prices depreciation provision based on historical cost is insufficient to achieve this object. Whatever the merits of this contention in relation to other forms of organisation, its application to an industry operated by public corporations financed by loan capital (such as the Electricity Boards) would imply that it is the duty of the consumer to provide, through higher tariffs, the additional money estimated to be necessary for the future replacement of capital assets at higher places. The Authority do not agree that this is an obligation which should be placed on the present consumers. In their view, the question of

providing for replacement costs is one of financial policy which admits of no simple solution.

This argument admittedly carries much force. When an undertaking is financed by loan capital, can the holders of its securities expect more than that the undertaking should keep itself able to meet the redemption value of the securities in money terms? They are in a different position from shareholders, who hold, not a money debt of the undertaking, but a stake in its assets, and who, it seems to us, may reasonably expect the real value of that stake to be maintained.

However, the B.E.A. also brings out other more familiar and general arguments for historical cost accounting and these, we think, do not add much cogency to its case. Future replacement costs, it says, cannot be foreseen. Therefore, to "exact" from present consumers a charge which will allow for replacement of assets at current price levels might impose on them an unnecessary burden. Yes, but so might a charge based on historical costs, if in the future the price level fell! Consumers, like other people, must bear the uncertainties and sacrifices inseparable from fluctuating prices.

In fact, continues the authority: the burden of capital charges imposed on the consumers is steadily rising with the higher level of prices at which new assets are brought into use. These new assets represent an increasing proportion of the whole and, in this way, the depreciation provision made by the Electricity Boards is gradually coming into line with current price levels.

This seems to imply that the B.E.A. is not so sure, after all, about the principles on which it erects its stand for historical cost accounting. Paraphrased, it is saying: "We are accounting on historical costs, but see how close we approach to accounting on replacement costs, how nearly we approximate to the desirable basis."

Another argument used is that before nationalisation the electricity companies generally worked on historical costs and to change now would be a major change in the finances of the industry. No doubt, but why should a lively State body, now in the fifth year of its vigorous existence, fear a major change of this kind?

Lastly, it is argued that since the additional provision for replacement

costs would not be allowed for tax purposes, consumers would have to pay roughly twice the amount of the excess, and this would be inflationary. This is a suspicious piece of economics. The B.E.A. would tuck away pretty well a half of the extra funds, adding to the total savings of the country, and Government taxes, which would absorb the other half, are also deflationary. These factors are unlikely to be outweighed by the inflationary effects of higher electricity bills in industry.

Research in Accounting—The Need for Co-operation

The *Incorporated Accountants' Research Committee* has recently published two further booklets in its Practice Notes series. They are *Valuation of Goodwill* (discussed in ACCOUNTANCY for September, page 299) and *The Appointment and Remuneration of Auditors under the Companies Act, 1948* (reviewed on page 378 of this issue). The amount of time and work required to complete even such comparatively modest projects as these may be appreciated from the fact that the preparatory work on the booklets was begun quite early in 1951. Both reports successfully met the need for a succinct and authoritative survey of the particular subject covered.

The committee is continuing its researches into further specific fields of accounting: among the subjects now being studied are *Costing in an Accountant's Office*, *Fraud in Accounts*, and *Accounting Ratios*. A sub-committee inquiring into *The Measurement of Productive Efficiency* produced an interim report (*Accounting Research, Volume II, Part 2, April, 1951*), and is now extending its investigation into a specific industry—brick making has been selected. In 1953 there is to be published a *Boot and Shoe Costing Manual*, in the preparation of which the committee has taken a leading part.

Other new subjects chosen for research are as follows:

The Principles of Internal Auditing; Mechanised Accounting; The Relief of Family Businesses from Death Duties; Methods and Trends of Stock Valuation and Audit Procedure in regard thereto; Records for Inventory Accounting; The Effect on Accounts and the Audit Certificate of Events subsequent to the date of the Balance Sheet; The Provision and

Maintenance of Working Capital in Periods of Fluctuating Values; The Financial, Accounting and Tax Differences between Partnerships and Limited Companies; Methods and Trends of Depreciation and Audit Procedure in regard thereto.

Incorporated Accountants who are interested in any of these subjects are asked by the chairman of the committee to take an active part in the work. They should write in the first instance to the secretary of the committee, Mr. J. D. Nightingirl, at Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2, who will put them in touch with the member of the committee leading the particular research group. For the completion of each of these projects, the supply of a considerable volume of information from members of the Society will be necessary and their co-operation is cordially invited.

The Specialloid Case

The two former directors of *Specialloid Ltd.* who were prosecuted for offences under the Prevention of Fraud (Investments) Act, 1939, have each been sentenced to 12 months' imprisonment. They were found guilty of knowingly making a misleading, false or deceptive forecast and of dishonestly concealing material facts in connection with a placing of shares in 1945. The vexed question of what "recklessly" means when the Act also talks of recklessly making a misleading, false or deceptive statement or forecast, was unfortunately left unanswered, for the third count against the two directors under this head was withdrawn.

The ten days' trial at the Old Bailey added little of general interest to the facts which we gave in our July issue (page 222), following the preliminary hearing at Bow Street. The most prominent feature was that a trading loss of £152,000 for the year to March, 1946, was not disclosed to the issuing house which arranged the placing of new shares: instead, an E.P.T. refund of £193,000 was set against it and a net profit was shown. This non-disclosure would not, in days before the Companies Act of 1948, have brought penalties for the two directors if it had not caused investors to put money into the company in ignorance of the truth about its trading.

Stock Exchange Charges

The proposed new scale of Stock Exchange commissions and rebates to agents, upon which we commented in our September issue (page 295), has now been re-issued by the Council in an amended form. One amendment, which for the first time results in a special scale of charges being laid down for country business and makes secure for country brokers concessions which they now enjoy relatively to ordinary "outside" agents, is important. It marks the Council's recognition of the status of the country broker and, as the obverse, puts the "outside" agent in a less-favoured position.

The other main amendment leaves the rebate allowed to attachés and clerks (that is to say, employees of brokers) at the existing 33½ per cent., instead of lowering it to 25 per cent. as was provided by the first proposals. This amendment, again, is virtually a blow at the "outside" agents, whose rebates are to stay at the lower figures earlier proposed. Agents on the general register, who include practising accountants and solicitors, will therefore get 20 per cent. instead of 25 per cent. as at present.

The remaining amendment is a detailed adjustment in the commission charge on bearer bonds.

It certainly cannot be said that the Council have hearkened to the many voices urging upon them the need for popularising the facilities offered by the Stock Exchange. They adhere, in effect, to their increased scale of commissions. Is this the way to enlarge the volume of business passing through the Exchange? Can it be hoped that the Government will lower the very high rate of stamp duty, to encourage the flow of investment, when the brokers put up their own charges? Let us be objective enough to overlook the sharp reduction in "outside" agents' rebates, yet is this reduction in the interests of the Stock Exchange itself, when new business demands to be encouraged, not diverted elsewhere?

The amended rules are to come up for confirmation on November 17 and are intended to operate from December 1. But the opposition to them is lively and it is conceivable that they may yet be defeated or at least deferred. A dissentient group of a dozen or so

brokers and jobbers have sent out cards to all members of the Stock Exchange asking them to say "yes" or "no" to the Council's proposals. The group will be guided by the response in deciding upon its action. An interesting feature is that the answers are to be sent to a firm of accountants, who will analyse and tabulate them in confidence.

Egypt and Double Taxation

A new decree authorises exemption of foreign airlines from Egyptian tax, subject to reciprocity for Egyptian airlines. Since there is no Egyptian airline with a service to the United Kingdom, the decree cannot at present operate for the prevention of double taxation of British airlines. It is important, however, as suggesting that the Egyptian Government has renounced its opposition to double taxation agreements.

Finance for Industry

At a meeting of the Incorporated Accountants' District Society of Sheffield on October 13, Mr. J. Gibson Jarvie, Chairman of *United Dominions Trust Ltd.*, delivered an address on *Finance for Industry*. He recalled that within his own lifetime it had been possible for the small man with ambition to build a business from nothing to a company with millions of capital and tens of millions of turnover. Men of that type, by their energy, skill and ability, made life easier for others and created employment and higher standards. But because of penal taxation such a man could no longer fulfil his destiny.

Probably there was not now a company in the country which after paying a reasonable dividend could keep enough of its profits to provide for essential maintenance, re-equipment and growth. This, with the Government's demand for restriction of credit, compelled the issue of fresh capital—on which reasonable dividends might be impossible. Banking or finance houses could no longer finance, as they used to do, the acquisition of new assets. They were prevented by Government directives and controls from playing their proper part.

The Chancellor, continued Mr. Jarvie, apparently hoped to right

matters by restrictive measures and by increased taxation of profits and dividends. But these were short-term palliatives.

For a long-term solution, we must again be allowed to save for a rainy day. Government spending destroyed capital. We must work longer hours for the same wage. Freedom and responsibility must be restored; even freedom to make mistakes. Competition would close the bad business, and an unsound borrower would not find a lender.

The Netherlands Institute of Accountants

The Year Day of the Netherlands Institute of Accountants was held in Amsterdam on September 20, under the chairmanship of Professor T. Keuzenkamp. The guests included delegates from Great Britain, the U.S.A., Denmark, Norway, Finland and Germany.

The discussions were mainly devoted to the role of the accountant in increasing production. The Netherlands is labouring under the same economic difficulties as this country. Capital expenditure on a large scale is impossible at present and increased productivity is seen to be the only way of meeting difficulties caused by the loss of the East Indies, a rapidly increasing population and heavy rearmament expenditure. The Netherlands Institute has had a committee working on the part which the accountant should play in relation to management and, in addition, has set up a Committee for Advice, which helps members on practical problems, sometimes with the help of specialists outside the Institute.

There were papers by Mr. H. W. van Leeuwen, on productivity in America and the Netherlands, and by Mr. A. F. Tempelaar, on the function of the accountant.

The Society of Incorporated Accountants was represented by the Vice-President (Mr. Bertram Nelson) who responded on behalf of the British delegates at a dinner held at the Amstel Hotel at the conclusion of the Year Day. The guests (including Mr. Douglas A. Clarke of the Institute and Mr. Macfarlane Gray of the Association) were received with great kindness by the Netherlands Institute, with which the

British accounting bodies have close and friendly links.

A Novel Issue

The right to convert into Ordinary shares has been one of the features of recent (industrial) new issues. Whether or not the pattern will alter further remains to be seen, but intriguing possibilities are held out by the copy of a prospectus which has reached us from Israel for a £11,000,000 issue of bearer debentures by *Palestine Portland Cement Works "Nesher" Ltd.* The purpose of the issue is to enable the company to complete a new cement plant.

Provisional certificates will be issued for the nominal amount of debentures subscribed, and every holder will have until January 15 next the right to opt for "A" or "B" debenture stock. If no notice of choice is given then the holder will be deemed to have expressly opted for "A" stock. Both classes bear interest at 6 per cent. but interest on the "A" debentures is payable half-yearly and on the "B" debentures quarterly. Both have a short life, but the new plant is expected to be in production by the spring of next year.

The "A" debentures are redeemable by purchase or drawings and the company will in each of the years 1955-64 redeem at least the tenth part of the stock in issue. As the entire issue can be repaid at 105 between 1958 and 1961 it appears that repayment of the drawn stock will be at par, though this is not stated. The most interesting point about this stock can be best illustrated by quoting from the prospectus:

The company guarantees the value of the debentures by linking such value to the price of Nesher cement as hereinafter defined. This price is at the time of issue of this series £121.250 per ton cement containing 21 bags of 47.5 kgs. each. Should such price exceed £121.250 per ton cement on the date of maturity of any amount—whether capital, interest or premium—payable on the debentures, the company shall pay in lieu of the nominal amount due for payment an increased amount according to the ratio which the amount of £121.250 bears to the increased price of Nesher cement.

Even more interesting are the "B" debentures. The stock is redeemable in successive equal quarterly instalments, and holders of not less

than £15,000 stock have the right to deliver the capital coupon in payment for cement at a fixed price of £125 per ton. The price at the time of issue was £121.250 per ton. A holder of £15,000 stock could, therefore, buy 30 tons every quarter, and this is supplied "free of control." Less than 1½ per cent. of total productive capacity is at risk if all subscribers opt for the "B" debenture stock and the price of cement booms.

Both classes offer unusual hedges against inflation, but the interest rate and early redemption seem to indicate that investors in Israel have also to be provided with a cover against deflation.

It is tempting to speculate upon whether the unusual features of this *Palestine Portland Cement Works* issue will be duplicated in this country. We have already had humorous remarks made about companies who could follow the example of *Bondor*, which has given a pair of stockings to each shareholder in the past. One could envisage some amusing variations on the theme.

Office Incentive Schemes—

Judging from a discussion meeting held last month under the auspices of the *Office Management Association*, there is considerable interest in the subject of incentive schemes for clerical workers, but comparatively little application of them. In answer to a question from the chairman, only five of the audience indicated that they operated incentive schemes. But it was evident that the hundred or more people present at the meeting were keenly concerned to learn about the particular schemes in operation in the offices of the four speakers.

One of the speakers described a scheme in force for operators of *Burroughs'* machines. The number of postings had been found to be an unfair basis for the scheme, since the work varied so much. The scheme was based, instead, upon time and motion study, a standard unit being evolved and variations from the standard being allowed for. The time and motion study should be performed by someone in whom the operators had complete confidence (a factor which is also important in time studies in factories). Under this particular scheme, one error was allowed in 3,000 postings and the operator was penalised by a deduction from the

bonus for exceeding this. The bonus could amount to as much as 15 per cent. of basic pay. The scheme applied to only a limited number of the office workers but this restriction had apparently not caused any discontent among the others.

In the discussion after the meeting the question was asked whether the cost of the necessary time study justified itself. The answer was that it did, on a long view, and provided the type of work did not change too quickly.

—and the Setting of Standards

That time and motion study was not the only basis for a successful incentive scheme was emphasised by Mr. H. A. Simpson, F.C.W.A., F.C.I.S., in a paper, *The Productivity of the Office Worker*, read at the summer school of the Institute of Cost and Works Accountants, held at the end of September at St. Catherine's College, Cambridge. Standards could also be set, he pointed out, by the supervisory staff, who would rely partly upon their experience and partly upon their judgment. Or they could be arrived at by analysing the production records of satisfactory and adequate employees performing jobs of the type in question. He gave typewriting as an example of the kind of work for which standards could be obtained by this last method:

The rate of output is recorded on tapometers, every 10 taps registering one unit. Inaccuracies and errors are penalised, for example as equal to 30 taps. No bonus is paid for waiting or idle time. This is an incentive for the typing pool to complain of the flow of work into the pool, which has a salutary effect on the other departments.

Mr. Simpson said that standards, however arrived at, had been applied to all these kinds of work:

- Central typing department;
- Central filing department;
- Central sorting department;
- Central calculating and adding;
- Machine posting and payroll listing;
- Preparing wages packets;
- Checking invoices;
- Preparing data for typing invoices;
- Preparing data for typing works orders;
- Slip posting;
- Punching unit cards;
- Costing;
- Costing reports.

We are particularly interested to see the inclusion of "costing" and

"costing reports" in this list. We do not think incentive schemes have been widely applied in this field.

And have any practising accountants applied a scheme in a section of their own offices?

Shorter Notes

Is Distribution Too Costly?

As an initial step in a study of whether the distribution of goods costs too much, the *International Chamber of Commerce* is carrying out an inquiry in the member-countries into taxation in the field of distribution and into the various forms of regulation, Governmental or otherwise, affecting its machinery.

Trade Mission to Central America

A Government sponsored Trade Mission is to leave about the middle of November for a tour of Venezuela, Colombia, Dominica, Cuba and Mexico. The mission will explore the methods by which the United Kingdom can increase its hard currency earnings in the rapidly growing markets of these dollar area countries. Its tour will take about six weeks.

B.I.M. Conference

The Autumn Conference of the *British Institute of Management* will take place in Harrogate from November 13 to 15.

Business Efficiency Exhibition

Another exhibition in the successful series of Business Efficiency Exhibitions is to be held in Glasgow. The exhibition will be held in the Kelvin Hall, from November 4 to 14.

Exports to Latin America

A very well-informed survey of the prospects for British exports in Latin America has been published by *The Credit Insurance Association Ltd.* of London. The booklet gives up-to-the-minute information about foreign competition in this market, particularly from U.S.A. and Germany, with details of the various schemes used by these and other countries for export promotion. It argues for a careful study of the possibility of introducing here a scheme for giving tax rebates according to export performance, and facilities (probably through private enterprise) for financing, long-term, the export of capital goods. The booklet, *Latin America—The Outlook for British Exports*, may be obtained free of charge on application to the Association.

ACCOUNTANCY

FORMERLY THE INCORPORATED ACCOUNTANTS' JOURNAL ESTABLISHED 1889

The Annual Subscription to ACCOUNTANCY is £1 1s., which includes postage to all parts of the world. The price of a single copy is 2s., postage extra. All communications to be addressed to the Editor, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2.

Cost Accounting—The American Example Again

TWO YEARS AGO A BRITISH TEAM OF accountants issued a report on industrial accounting in the U.S.A. and the lessons it held for the United Kingdom. It will be recalled (see ACCOUNTANCY for December, 1950, pages 421 and 426-7) that the team was enthusiastic over the ways in which cost accounting was used in the U.S.A. and recommended that the United Kingdom should follow the American example in some detail. Some time later a French group of practising accountants also reported on accounting in America as an instrument for measuring and increasing productivity. Management and cost accounting were only one segment of its full programme, since its terms of reference covered the whole field of accountancy. Now there is published a third report, *Cost Accounting and Productivity—The Use and Practice of Cost Accounting in the U.S.A.** This third report is European, not national like the first two, for it was written by a mission representing eleven countries, appointed by the *Organisation for European Economic Co-operation*. Thirty-four men made up the mission; some of them were accountants, but there were also economists, business consultants, civil servants and business men. The one British representative was a Divisional Finance Director of the National Coal Board.

It was inevitable, partly because of the number of countries represented on the mission and partly because of the varied qualifications of its members, that much of the more positive part of the report should be general in character, and that the descriptive part,

giving a useful summary of American methods, should be disproportionately long. The positive recommendations may be summarised thus:

The use of costing for purposes of management control should be encouraged;

The application of standards and budgets should be facilitated;

The conception of controllership should be encouraged;

Universities providing facilities for commercial degrees should establish close relationships with business and should encourage training in management;

National bodies of employers and accountants should be invited to take the lead in advancing knowledge of the value to industry of modern cost accounting methods;

Individual managements should assess whether costing of the modern type is economic in their particular circumstances.

In the broad terms in which they are drawn up in the report, the first two of these recommendations do not have nearly as much applicability to the United Kingdom as to many of the other countries represented, for, at least in this general fashion, the need for costings, standards and budgets as aids to management is well appreciated here. The mission, having to compare the U.S.A. with eleven European countries taken as a unit—countries as disparate in their achievements in this field as the Netherlands and Greece, Ireland and Turkey—was, no doubt, bound to make contrasts of the best American practice against something near the lowest common denominator of European practice. But it is, nevertheless, somewhat misleading to point an antithesis, as the mission points it, between the primary purpose of cost accounting in Europe as the ascertainment of product unit cost for price-

fixing and its primary purpose in America as assisting management to control costs—misleading, at least, for British readers. A more sophisticated and detailed study than this is necessary of how American costing methods can aid the business man here, and in this respect the two-years-old report of the British team is a far more valuable document. The mission's report is of greater relevance to British conditions when it emphasises, as the report of the British team also emphasised, the importance attached in the U.S.A. to the creation, throughout a concern, of an awareness of the importance of costs to the well-being of the enterprise, and when it draws attention to the way in which accuracy of reports is deliberately sacrificed by the Americans to speedy presentation.

The third recommendation is also more pertinent for the Continental countries represented on the mission than for the United Kingdom, where the chief accountants of many large companies already perform most, if not all, of the functions of the American controllers. There is much to be gained, nevertheless, from an extension of the concept of controllership—whether under this or any other name—particularly to smaller concerns. Thus, although the British team, again, anticipated much of what the European mission has to say, the sections of the report on this topic make stimulating reading.

The fourth recommendation, on the place of the universities, is clearly made mainly with Continental conditions in mind—it avoids all the difficulties, largely peculiar to this country, arising from the non-vocational tradition of the universities. The fifth recommendation, no doubt, has some applicability to this country, for the British employers' associations, and even the British professional accountancy bodies, would not claim that they had yet done everything possible to promulgate the importance to industry of cost accounting. Yet, here again, it is evident that the recommendation is more relevant to Continental countries. As to the last recommendation, it is true but trite. Its receiving this conspicuous place in a report of this kind cannot but suggest a certain naïvety—as, indeed, do many other passages in the report.

* Obtainable in the United Kingdom from Her Majesty's Stationery Office, at 4s. 6d. net.

Then and Now—II*

By ERNEST EVAN SPICER, F.C.A.

We have seen how the rise of the accountancy profession has coincided with the misfortunes which have harassed our unhappy country during the present century, and it behoves us now to consider whether the continuance of this rise in importance depends in any way on the recurrence of further calamities, or whether it will decline and ultimately disintegrate as a result of other causes.

Before dealing with this weighty and melancholy matter, it may be instructive to trace the fortunes of the great house of Whiting, Sons & Co. from the death of Mr. Mortimer Whiting in the year 1890 to the present time, in order to ascertain what were the repercussions following the quarrel between Mr. Ambrose Whiting and the bank manager.

ILLUSTRATION

It is almost impossible for the present generation to appreciate the mentality of the successful business man of the Victorian era. To him every form of change was anathema. The slightest deviation from the settled routine was likely to be fraught with hidden dangers, the consequences of which it was impossible to foresee. No wonder, then, that the decision of Mr. Ambrose Whiting in the matter of the pass-book and the weekly visit to the bank was regarded as one of the very gravest import.

Would it adversely affect the credit of the house? What would other commercial houses think about it, when it became noised abroad, as eventually was bound to be the case? Would the firm receive the same attention from the bank and would their acceptances be discounted as freely in the future as in the past?

These were some of the many questions which were asked, with bated breath, again and again throughout the ensuing week, not only by the partners of the firm, but also by every member of the staff, from the office manager to the junior messenger.

Nobody, however, experienced the terrible weight of responsibility pressing down upon him as did Mr. Hoskins, the cashier, when on the following Monday morning he crossed the threshold of the bank for the first time and waited, pale with anxiety, until the porter bade him step into the bank parlour.

To his amazement the manager received him with the

utmost courtesy and, pending the writing up of the pass-book, suggested that he might care to glance at the leading articles in *The Times* newspaper. He enquired after the health of Mr. Ambrose Whiting and expressed the earnest hope that he was bearing up, as well as could be expected, under the irreparable loss which he had sustained in the death of his distinguished and greatly lamented father. Altogether the interview passed off so smoothly and pleasantly that nobody would have supposed that there had ever been the slightest ripple to disturb the pellucid waters.

On his return to the office, Mr. Hoskins was summoned immediately to the "*Sanctum Sanctorum*" and asked to give an unvarnished and detailed account of the treatment which he had experienced at the hands of the bank manager. The surprise and relief of the partners was indeed great when they realised that their fears had proved groundless, and although they did not refute the modest explanation of Mr. Hoskins that the success of his mission was attributable, in its entirety, to the dignified conduct of Mr. Ambrose Whiting, they all felt that a very delicate and dangerous situation had been handled with consummate skill and tact by their cashier, and that such signal service could not be allowed to pass unrewarded.

Mr. Whiting thereupon informed Mr. Hoskins that his emoluments of office would receive an immediate "refresher."

From that moment "changes" became fast and furious.

Within a few short years, electricity ousted gas as an illuminant of the offices; telephones were installed; typewriters—operated in the first instance by male typists—were introduced, thus rendering obsolete all the "press-copying machines"; Mr. Pinkleton, the manager, was authorised to endorse cheques; and to crown all, Mr. Reynolds Whiting, the son of Mr. Ambrose Whiting, announced one morning, to the consternation of the staff, that he had decided to avail himself of the services of Miss Prudence Collins, sister of the Rev. Stephen Collins, to act as his private secretary.

This unbelievable innovation created an immense sensation, particularly amongst the wives of the married members of the staff, who at once assumed that their husbands would inevitably fall victims to the wiles of an obviously designing female; and even Mr. Hoskins, despite his three and sixty years, did not escape without repeated curtain lectures.

* The first part of this article appeared in our October issue, pages 329-333.

When, however, Miss Collins made her appearance in the office and was formally introduced, the excitement quickly subsided and even Mrs. Hoskins ceased her recriminations. In fact, she was heard to whisper to Mrs. Pinkleton that, in her opinion, no wiser choice could possibly have been made.

It was about this time that Mr. Reynolds Whiting gradually began to appreciate how valuable could be the services of the professional accountant.

The old-established firm of Gimble Bros. and Coddling, finding themselves unable to meet their obligations, had called a meeting of their creditors and Mr. Greatheart had been instructed to investigate the position and to report whether anything could be done to save the business. As a result of his recommendations, a moratorium was granted and he was appointed to supervise the running of the business under a select Committee of Creditors, of which Mr. Whiting acted as chairman. So successful was Mr. Greatheart that within three years, all the liabilities were discharged, and, in addition, 4 per cent. compound interest was paid.

This apparent miracle left such a deep impression on Mr. Whiting that, with the consent of his partners, he invited Mr. Greatheart to make a thorough investigation of the affairs of his own firm. Thus began Mr. Greatheart's long and intimate association with Messrs. Whiting, Sons & Co.

The subsequent history of the "House" can be told in brief outline.

The system of accounting was thoroughly overhauled, reorganised and departmentalised. Unprofitable "lines" were cut out and a simple system of costing was introduced, which was gradually elaborated as the staff adapted itself to the changed conditions. A vast amount of unnecessary overtime was eliminated and an astonishing number of economies effected. A generous pension scheme was inaugurated and prizes were offered to the staff for helpful suggestions.

The death of Mr. Ambrose Whiting created a serious liability for death duties, which the firm was unable to shoulder unaided.

Mr. Greatheart conducted the negotiations with the bank for a temporary loan, and, acting on the sound principle that between banker and customer there should always exist the utmost confidence, insisted upon submitting to them a copy of the balance sheet of the firm. Thus, for the first time in one hundred and fifty years, the balance sheet of the House of Whiting was exhibited to the gaze of a person other than a partner of the firm.

Six months later, on the advice of Mr. Greatheart, the firm was converted into a private limited company, and when it was realised that this revolutionary step had not ruined the credit of the house, as had been confidently anticipated by both Mr. Pinkleton and Mr. Hoskins, a further step in this direction was taken. The private limited company became a public limited company, with an issue of preference shares, and after the termination of the first world war an issue of ordinary shares was made to the public, and two outside directors were elected to the board.

Today the published balance sheet of Whiting, Sons & Co., Ltd. is a model to the whole commercial world for fullness and lucidity. The 5s. shares are quoted on the Stock Exchange at approximately 40s. per share and the bank makes regular seasonal advances up to £250,000 without asking for any security whatsoever. The accounting system is mechanised and the company has no private ledger or any other book marked "Private" or secured with a Bramah lock or bound in green morocco leather.

* * *

THE FUTURE OF THE ACCOUNTANCY PROFESSION

And now let us turn to the one really vital question. What does the future augur for the accountancy profession? Will it continue to advance in prestige and importance, or will it—like the very refined lady of the nineteenth century—sink into a rapid decline?

If we choose the former alternative, it is doubtful whether we shall avoid the charge of wishful optimism, while if we choose the latter, we shall most certainly be accused of morbid pessimism. Let us therefore attempt to discover a middle course and endeavour to view the matter thoughtfully, even if tearfully.

It is abundantly clear that, up to the present, the profession has thriven on the minor misfortunes of other people; and so long as they remain "minor," long may those misfortunes remain. It would be erroneous, however, to suppose that "major" misfortunes would augment that prosperity. We must avoid at all costs the grievous sin of greediness, which has the unpleasant habit of proving the forerunner of its own downfall. In the past—and we emphasise advisedly the past tense—no doctor viewed with complete equanimity the death of his patients. He was naturally and very properly interested in their misfortunes, but the last crime of which he would have wished to be held guilty would be that of self-immolation.

Now, a third world war would wipe out the professional accountants' entire clientèle, and therefore no useful purpose would be served in contemplating a catastrophe which would bring about the extinction of the profession itself. It is equally clear that if all industry were nationalised and individual enterprise ceased to exist, the accountancy profession—as we know it today—would disappear as surely as the medical profession—as we knew it yesterday—will disappear tomorrow.

There are many people in this country who argue that this would be in the national interest, but it is to be assumed that the three recognised bodies of accountants, who today constitute and govern the profession, think otherwise.

Apart, however, from the possibilities of world-shattering war, and the nationalisation of industry, are there not other dangers, which today confront the profession?

During the years between the wars, there arose great industrial distress demanding drastic treatment, and an ever-increasing call was made on the services of the professional accountant. The remedy prescribed was the

integration of industry, whether by means of absorption, amalgamations or cartels, or a combination of these methods, to a degree undreamed of before the 1914-18 war. This industrial upheaval, in which the professional accountant played a leading part, had its effect on the profession itself. Big business requires big auditors, and as the small businesses increasingly became absorbed in the new mammoths, so did professional work tend to find its way more and more into the large firms, tending to leave only relatively unimportant work for the smaller practitioner. The result was that the young qualified accountant, seeing a steadily decreasing scope for the exercise of his talents within the profession, was increasingly drawn to the glittering prizes extended to him by industry, which needed the services of highly skilled accountants to help administer the new mammoth organisations.

This development poses questions for those who remain within the profession.

Have we been wise in making so very little distinction between practising and non-practising members, and as a result is it not possible that a day may come, and come quickly, when the profession will be governed largely by those who, in reality, have little to do with it?

Are we giving sufficient thought to the interest of those who practise in the profession, or are we merely acting as a college for the benefit of industry, and allowing the true interests of the profession proper to sink into relative unimportance?

These are grave questions and if there be any substance in the perils which they envisage, it is surely not unreasonable to enquire what steps have been, and are being, taken to guard against them.

Up to the present, despite strenuous efforts, the three recognised bodies of accountants have failed to find a solution to the vexed problem of how to "close" the profession, and many thoughtful people are of the opinion that any future attempt in this direction is bound to meet with a similar fate.

This is not altogether surprising. Others, besides accountants, have experienced difficulty in solving the "problem of three bodies." For over two centuries it defeated astronomers, notwithstanding the labours of the greatest mathematicians, and even when—at long last—a solution was obtained, it proved so complicated as to be valueless for purposes of practical calculation.

It may well be, therefore, that the problem confronting the three bodies of accountants may prove equally insoluble in practice, and that the position of the profession will continue to drift, until eventually the State intervenes.

Doubtless it will afford some people a measure of satisfaction to realise that the "bus" has been missed by half a century rather than by half a minute.

The three recognised bodies of accountants will thus continue as independent units, each churning out annually a large number of qualified accountants, mainly for the benefit of industry.

Each body has a membership consisting of practising and non-practising accountants and in each case the latter category largely exceeds the former. The members of each category have equal voting rights, and the only apparent

advantage which the practising member enjoys over his non-practising brother lies in the privilege of paying a larger annual subscription.

This, in itself, would seem to be a somewhat doubtful policy, quite apart from the fact that it may result in the training and creation of a vast potential army of ready-made State auditors.

What strikes the observer as lacking in wisdom is the apparent importance attached by each body to an ever-increasing membership. In this age of mass production, quantity is undoubtedly the popular watchword, and unhappily quality is sometimes forced to take a back seat, but in the case of a profession, it is surely quality, all the time and all the way, and not quantity, that is essential. And yet, so great is the emphasis placed on numbers that the rulers of the profession appear to exhibit nervousness whenever unsuccessful examinees submit that the standard demanded for a "pass" has been raised.

But why should a slight increase in the percentage of failures cause consternation in our ranks?

It is, of course, true that we were all deeply impressed when we read in our newspapers that 99·8 per cent. of the Russian people had voted in favour of Mr. Joseph Stalin at the elections, and this fact undoubtedly created a very general feeling of confidence in the Russian methods of choosing their representatives for political advancement, but nevertheless, we question whether the public would be equally impressed if the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors announced that 99·8 per cent. of all the candidates sitting for their respective Final examinations had passed with honours.

We will go even further and suggest that a high percentage of failures is likely to create far more confidence in the value of a diploma than a high percentage of passes.

At any rate nobody will deny that the Royal Yacht Squadron owes its unique position largely to "black" balls.

Would the public really tremble if it were announced by the Ministry of Health that in future a still higher standard of skill would be demanded of members of the medical fraternity, before they would be permitted, unsupervised, to perform major operations, and that only specially qualified men (or women) would be allowed to administer the anæsthetic?

If the answer be in the negative, why should the accountancy profession fear to announce officially that, as from a certain date in the near future, the standard to be demanded of candidates sitting for the examinations would be raised?

Is there no danger that we may make entry into the accountancy profession too easy, thus opening our doors so widely as to jeopardise the respect which, up to the present, has been meted out, so unhesitatingly, to our respective diplomas?

In this connection two observations suggest themselves:

(1) There is a very definite limit to the number of balls—not necessarily black balls—that a juggler can keep in the air at any given time.

Similarly, there is a very definite limit to the number

of subjects which a student can study seriously for any one examination.

If, therefore, the number of subjects on which a candidate is to be examined be such that it is impossible for him to master them all at the same time, the examination should be divided into two or even three parts.

If a subject be regarded as of sufficient importance to warrant inclusion in the syllabus, a high standard for a pass should surely be a *sine qua non*.

If this principle be not upheld, the public will be misled; the qualification will be incomplete and the diploma granted will, gradually but surely and justly, lose much of its merit.

- (2) The larger the number of candidates who qualify each year, the lower is likely to be the standard demanded for a pass. The larger the aggregate number of qualified accountants, the less will be the value placed on the qualification.

Now that's as plain as plain can be,
To this conclusion we agree:
When everyone is somebodee
Then no one's anybody.

* * *

We could enlarge on what we have said—but to what purpose? In life—as Edgar Allan Poe demonstrated so clearly—it is only the obvious that is never seen or heeded. Who was it who said?

He who would walk sanely amid the opposing perils in the path of life always needs a little optimism; he also needs a little pessimism.

We forget, but there is certainly truth in the saying, whoever wrote it.

Liability of Accountants for Negligence

In a research lecture given recently at Sydney University, New South Wales, Mr. S. R. Brown, LL.B., F.I.C.A., one of Australia's best known lecturers on accounting, gave practising accountants cause to consider an overhaul of the "mechanics" of their professional work. In the belief that the treatment of this important subject will be of interest to practising accountants generally, we give extracts from Mr. Brown's lecture and from the contribution made to the discussion by Mr. E. E. Fortescue, F.C.A. (Australia).

THE MERE MENTION OF NEGLIGENCE immediately ushers in the concept of duty which, in turn, raises the idea of relation. We are thus dealing with a most complex subject and in order to come to grips with it most effectively we must first take stock of our position. This is best put by way of the following submissions:

1. There is one profession of accounting.
2. The profession exists to perform a variety of service tasks for members of society.
3. Auditing is one of those service tasks. There is no profession of auditing, and auditors are accountants who, in the role of auditors, perform but one of the special service tasks for the execution of which the accounting profession exists. Similarly with cost accountants and others.
4. Except in rare cases, membership of the profession of accounting is denoted by membership of one of the recognised institutes, together with the carrying on of some activity which is within the meaning of "accounting." Accounting is defined as:

The recording, classifying, analysing, verifying and the interpreting of the transactions of an entity which are expressible usually in monetary terms.

5. A person who is a member of the accounting profession is usually taken to

hold out that he has some special skill to those to whom he renders a service.

6. A person who is a member of the accounting profession is, by virtue of such membership, in a duty situation. That is, he is in a position such that he owes a duty of some kind to some person.

We are not concerned with all the different kinds of duty which an accountant owes. For instance, he has a duty to be honest, but then so has everybody else, so that it would hardly be proper for us to tackle something which is mostly a matter for philosophers or lawyers.

Rather, we confine ourselves in this paper to the special duty of the accountant to *take care* in the rendering of his services. As to what sort of duty of care is involved will emerge in discussion.

Reasonable Skill

Apart from the writings of A. P. Herbert, there has been little discussion of the qualities which the reasonable man is supposed to possess. As Professor Paton has pointed out in a paper delivered at the sixth Legal Convention of the Law Council of Australia (23 A.L.J. 158, page 160): "It is a matter that is left to the intuition of the Court. The flexibility of the standard would be impaired if over-elaborate rules were

laid down. For the law relating to transfers of property, rigid rules are essential; one bill of exchange is much like another, but no two acts of negligence are precisely the same. Hence there is a logical case for a flexible standard, based on the qualities of the reasonable man, which is applicable to the primitive chariot or the modern aeroplane."

In determining whether A has been negligent the Courts attempt to view the situation objectively from the standpoint of the reasonable man. They place the hypothetical reasonable man in the position of A and determine whether he would have acted as A did. Since an accountant holds out that he has some special skill, he will be held to the standard of care to be expected of an expert. An expert exercising a reasonable standard of care is placed in A's position and the Court asks itself whether he would have acted as A did.

Clearly, the crucial question is: What standard of care should an expert have exercised in the situation in question? This has been answered many times in language similar to that used by Lindley, L. J.: "What is reasonable care in any particular case must depend upon the circumstances of that case." (*In re London and General Bank* (No. 2), 1895, 2 Ch.)

Greater care than usual is required where suspicion is aroused; and so on.

Now, it is one thing for a particular standard of care to be worked out in courts, but another for a practitioner to work it out for himself. The Court will be assisted by expert evidence—evidence produced by accountants giving opinions both ways—and in the result a conclusion will be hammered out which is no doubt reasonable from the general point of view. This is easy enough. But an accountant in the usual situation as found in practice relies either on his own judgment or on a coffee-shop conference, with rare assistance from his library.

The following conclusions may be established:

1. The degree of skill which an accountant is expected to bring to bear upon particular work will be tested by reference to that which other reasonably skilled practitioners would exhibit in the same circumstances. This means that in many cases individual practitioners will not know what that standard is until litigation commences. This is so for the reason that the practice relating to a good deal of professional work is not disseminated amongst accountants. The precedent system is not in operation on anything like the necessary scale. The view is here taken that the most important task confronting the profession is the authoritative production of:

(a) a series of texts, each containing those principles and practices which relate particularly to a special type of business;

(b) the regular production of case histories—possibly as an adjunct to the journal—in a lift-out form for easy filing.

2. It is possible that in a particular case it may be held that an accountant owes a duty of care to a third party. But, as Professor Stone has pointed out, it is not possible to say in advance what sort of duty situation that will be. As far as we are concerned the most likely is one of a type which arose in *Candler's case*.

The Scope of an Audit

Mr. E. E. Fortescue, F.C.A. (Aust.) in the course of the discussion said:

It is a well-known fact that during periods of prosperity there are few legal cases on the question of accountants' negligence, but whenever business experiences a recession, more errors of judgment or malpractices come to light. I do not wish to be classified as an alarmist, but desire to stress that during the present period of economic disruption circumstances may arise which will cause the accountant and auditor to ask: *Quo vadis?* Again, there are more problems of finance in periods of economic adjustment, but some of them may not be apparent until questions of negligence arise.

When an accountant or auditor accepts his appointment he assumes the duty to exercise such skill as he possesses with reasonable care and diligence. Other parties are entitled to assume that he has that degree of skill commonly possessed by others of the same calling, that is, the skill of

an expert, but they are not entitled to assume that he gives a guarantee against fault or error. "He undertakes for good faith and integrity but not for infallibility and he is liable to his employer for negligence, bad faith or dishonesty but not for losses consequent upon mere errors of judgment."

We must be practical; it is no use attempting to extend the scope of the audit unduly. An audit must be recognised as a safeguard; but the maintenance of this safeguard entails an expense which is justified only if its value is found to be fully commensurate with its cost.

"Let us be realistic. On the one hand we are faced with liability for negligence (and this includes staff negligence), whilst on the other, by reason of present day increasing costs, attempts are being made to limit the scope of the audit. It is impractical for an auditor and his staff to check all the entries which have been made in his clients' books during the period under review, usually twelve months. The risk of loss involved is not commensurate with the cost required to take the precaution and the auditor does not and should not assume the responsibility of verifying every transaction even in a detailed audit.

There is no book of rules as to what should be checked and what should be left unchecked, and determining the amount of work which need not be checked calls for the exercise by the individual auditor of a particularly high degree of professional skill and judgment.

The Oxford Course on Management Accounting

WE HAVE BEEN TOLD THAT BEAUTY LIES IN the eye of the beholder, and this, perhaps, explains the elusive charm of Oxford and its colleges. One person may be most impressed by the immediate beauty of the quadrangles, the next will turn to their more remote but no less fascinating antiquity and tradition. However that may be, we were grateful for the hospitality of the Master and Fellows of Balliol College in allowing over one hundred members of the Society to spend several days there last month and to study quietly and objectively some of the problems of the more prosaic world outside. Although designed for maximum effectiveness, the course on management accounting was by no means all work. It provided opportunities for entertainment and social intercourse. Such a judicious blending of work and play in the original programme and the perfect

timing of all events was not achieved without careful thought and hard work. The greatest credit is due to all concerned.

Costing

At dinner on the first evening of the course a very warm welcome was given by the Master of Balliol, Sir David Lindsay Keir, in an amusing speech delivered in a gentle and pleasing style. His address was delightfully informal and immediately put everyone at ease. Less than half an hour later the opening meeting began. Mr. Norman G. Lancaster, A.C.A., a director of *T.I. Aluminium, Limited*, made some provocative remarks on standard costing. Industrial accountants were roundly chaffed for their slavish adherence to detail and at times it almost seemed that the lecturer would "debunk" costing altogether. He presented seven ideas: treatment of all

expenses except raw materials as fixed expenses; abolition of detailed work on allocating indirect expenses; periodical detailed investigations; the "mark-up" concept extended from departmental stores to factories (adding the "margins" or "mark-ups" earned to give the trend of profits); the single-sheet technique (putting significant information on a single sheet of paper); estimation of future profits as a basis of policy decisions; detailed manufacturing procedures and material specifications for each product. An open discussion followed in which members freely joined.

For most of the subsequent meetings the members split up into groups for discussion after each lecture. On return to the lecture room each group was represented by a spokesman who commented or raised questions based on the discussion within his

group. This method, which has been in use by the Society for many years, proved to be most successful.

Budgets and Management for Small Businesses

Saturday was a very full day. It included three lectures of considerable importance to accountants in industry and those in practice who are called upon to advise on financial control. A masterly exposition of budgetary control and standard costing by Mr. W. F. Edwards, F.S.A.A., a director and Treasurer of *General Motors, Limited*, entitled *Budgetary and Financial Control*, was very well received. Although it was almost entirely non-controversial, it led to considerable discussion within the groups and a full spate of questions in open forum. Mr. Edwards emphasised the practical aspect of the subject, and the need to ensure a real understanding of the advantages of a budget. He warned us not to expect immediate benefits—it might take a year or two to educate those concerned in the compilation and application of data. A budget could be prepared for any business, and the foundation was always the estimated net sales. Mr. Edwards's explanation of principles and methods was illustrated by a very helpful set of figures, comprising a specimen budget. *Management Accounting for the Smaller Business* was the subject of an address by Mr. P. N. Wallis, A.S.A.A. In the course of his lecture Mr. Wallis appealed for simplicity and closer co-ordination between financial and production control and demonstrated a method of comparing balance sheet "projections" with actual figures. Mr. Wallis also spoke of the need for budgeting—"even more necessary for the small man than the large." He concluded with a plea for prompt information: the professional accountant could not give this service to all his clients simultaneously, so he should plan to organise the client's own office so that the necessary detail would be regularly available.

Training

Professional education and staff training have always been and, presumably, always will be matters of opinion and lively subjects for debate.

It was not surprising, therefore, that members listened intently to that very accomplished speaker, Mr. P. G. James, B.COMM., F.S.A.A. His subject was *Training Staff for the Effective Operation of a System of Management Accounting*, and he compared the development of the professionally trained accountant with the progress of the man who grows up in industry. Each was carefully traced from the beginning and the progressive development and ultimate service of each man fully and clearly explained. Mr. James suggested that the accountancy

bodies and the British Institute of Management might co-operate to supply the urgent need for more facilities for management training. He considered also that the professional bodies could help those who intended to make their careers outside professional offices by introducing into the final examination optional papers on advanced statistical methods, economics and costing, to be taken as alternatives to liquidations and executorship. A post-graduate examination in suitable subjects might also be considered. A natural and extremely useful corollary to this was the address by Sir Henry Clay on *The Specialist in Practical Affairs*.

A welcome break from this intensive course came on Sunday when the College Chapel was the scene of a service conducted by the Chaplain, the Rev. F. L. MacCarthy, M.A., Fellow and Chaplain of the College. The singing was hearty and sincere and was led by a volunteer choir recruited from among the members of the course. A short practice during the preceding evening under the supervision of our ever popular Vice-President, Mr. Bertram Nelson, was sufficient to co-ordinate individual efforts and the effect was quite musical. The address, based on the story of the prodigal son, although quite advanced, gave much food for thought and became the subject of a great deal of interesting conversation for some time afterwards.

Alternatives were offered for Sunday afternoon, but one of these, the proposed golf meeting, was unfortunately washed out by the weather. As one member put it, "rain stopped play." Undaunted by this, many of the golfers joined in the other alternative, which consisted of a tour of the colleges. Their optimism was justified because the rain stopped sufficiently to enable the tour to be made in comfort. The tour was necessarily abbreviated, for there are nearly one hundred buildings in Oxford of special interest and antiquity.

Running an Accountancy Department

Some of the most useful discussions of the whole course were those which followed a combined presentation by Mr. W. H. Broad, A.S.A.A., Mr. C. E. Watson, A.S.A.A., and Mr. J. R. Simpson, C.B., Director of Organisation and Methods, H.M. Treasury. The title of this item was *Running an Accountancy Department*, but its range was by no means restricted by its title. From the simplest devices for saving clerical labour and avoiding wasted effort to the policy to be adopted, including the appropriateness of using forms, it held the interest of members throughout, and the questions following the lecture were numerous and to the point. The lecturers displayed ready

wit and a vivid sense of humour which helped to lighten the proceedings.

Accounting Form

Members of the Society who have heard Mr. Sewell Bray on former occasions, and on any subject, always expect something unique. They were not disappointed on this occasion. The title of his lecture was *Accounting Form*, and although he had time to deal with only one aspect of this complex subject he stirred the imagination of his hearers and left them at the end of his address with a great deal to think about. As Nuffield Senior Research Fellow in Applied Economics at Cambridge University, he was in a position to view the activities of the accountant from the economist's viewpoint and did so most effectively. In three-quarters of an hour his address ranged from philosophy through accounting and economics to statistics and mathematics. Mr. Bray's intense enthusiasm ensured the keen attention and appreciation of his hearers, but not necessarily an acceptance of the progressive theories he put forward. He maintained that "it is the classification of transactions into formal categories which is important and not necessarily the transactions themselves." Standardisation was essential to comparison, and forms of accounts should not be continually changed for transitory purposes. Too many statements were often presented to directors concerned only with policy: details should be dealt with by management officers, and only clear and short summaries of essential information should go to the main Board. Mr. Bray presented a form of operating account suitable for policy directors.

An unofficial but notable and very useful item which did not appear on the programme was a visit to *Morris Motors* by over twenty members of the course, who inspected the rust-proofing and painting department and the main assembly lines.

Among the many lessons to be learned from a course of this kind, one very simple example might be mentioned. Throughout the whole field of financial control, and particularly where budgetary control and standard costing are concerned, much difficulty is caused by a lack of definition in terminology and the alternative use of different words to convey the same meaning.

In addition to the lecturers and other notable members of the Society who have already been mentioned, two members of the Council, Mr. H. J. Bicker, F.S.A.A., and Mr. L. C. Hawkins, F.S.A.A., a senior member of the *London Transport Executive*, were present. Mr. Hawkins took the chair on several occasions and will be remembered for the gentle and unassuming but none the less efficient manner in which he carried out this onerous task.

Excess Profits Levy—V*

NEW BUSINESSES

THE FOLLOWING TABLE SHOWS THE OPTIONS AVAILABLE TO a business started since January 1, 1947:

Normal standard:

Twelve per cent. (14 per cent. if the company is director-controlled) of the excess of sums received in respect of any issue of share capital over sums repaid before the end of the chargeable accounting period (C.A.P.). Any amount received or repaid during the C.A.P. is reduced in proportion to the length of the C.A.P. after the receipt or payment compared with the full C.A.P.

There is added to or deducted from (as the case may be) the share capital the amount of any undistributed profits or over-distribution of profits from the commencement of the business to a date twelve months before the end of the C.A.P. (i.e. to fit the ordinary ending date of the previous accounting period).

Alternative standards, which can be claimed by the company:

Commencement	Standard
If it started business after January 1, 1947, but before January 1, 1948.	Either as set out in (1) below or as set out in (2) below.
If it started on or after January 1, 1948, but before January 1, 1949.	As set out in (2) below.

(1) Under this option, the standard years become the first two years of carrying on the business, and the standard profits are half the profits of those 24 months, plus or minus 12 or 14 per cent. (as is applicable) of share capital receipts or payments after the commencement up to the end of the C.A.P. (with the usual adjustments where the receipt or payment is in a standard year or the C.A.P.) and plus the same percentage on undistributed profits and minus it on overdistributions of profits from the relevant date (six months from the start of the business) to a date 12 months before the end of the C.A.P.

(2) Under this option the standard years are 1948 and 1949, and if the business started before January 1, 1948, the standard profits start as half the profits of 1948 and 1949. If the business started in 1948, the standard profits start as a 12 months' proportion of the profits from the commencement to December 31, 1949. In either case, there are the normal adjustments for variations in share capital and for undistributed profits and overdistributions of profits, the relevant date being July 1, 1948, or the later date of commencing business.

* Previous articles appeared in our issues of July, pages 236-7; August, pages 273-5; September, pages 306-7; October, pages 339-40.

Should the main part of the business be carried on at January 1, 1952, in a territory which the Japanese occupied during the years 1942 to 1945, and the business commenced before January 1, 1950, the standard years 1949 and 1950 can be substituted; the relevant date then becomes July 1, 1949, or later date of commencement.

Illustration: Company's business started October 1, 1948, accounts to September 30, 1949—E.P.L. profit £13,500; September 30, 1950—E.P.L. profit £12,200. Share capital received October 1, 1948, £30,000; October 1, 1949, £20,000; March 1, 1952, £30,000. Other details as in computation. Company is director-controlled.

Normal standard for C.A.P. January 1, 1952, to September 30, 1952.

Capital received to December 31, 1951	...	...	£50,000
In C.A.P., £30,000 × $\frac{7}{9}$	...	...	23,333
Undistributed profits October 1, 1948, to September 30, 1951	...	...	7,000
			<u>£80,333</u>

14 per cent. on £80,333 for nine months C.A.P. =	£8,435
Add 4 per cent. on average borrowed money of C.A.P., £3,200 for nine months	96
	<u>£8,531</u>

The optional standard, i.e. (2) above.

£13,500 + $\frac{3}{1\frac{1}{2}}$ of £12,200	...	...	= £13,240
Add re share capital:			
14 per cent. × $\frac{1}{1\frac{1}{2}}$ of £20,000	...	...	= 2,240
14 per cent. × $\frac{7}{9}$ of £30,000	...	...	= 3,267
Re undistributed profits from October 1, 1948, to September 30, 1951:			
14 per cent. × £7,000	...	...	= 980
			<u>£19,727</u>

Deduct re borrowed money:

Average of C.A.P.	...	...	£3,200
Average of standard years	...	...	5,000
4 per cent. on	...	...	<u>1,800</u>

For the nine months C.A.P. ... £14,741

In the case of a group of companies, the method of calculating the standard profits is determined by the date the first business of a member of the group started. Accordingly, where the first business started after January 1, 1947,

provisions parallel to the above apply, i.e. the principal company can elect that the standard years for the group be as in (1) or (2) above, according to the date of the earliest business; otherwise the group standard will be calculated as in the normal standard above, by reference to the

aggregate capital, etc., of the group, applying the rules of the 12th Schedule to the Finance Act, 1952. These rules deal with inter-company payments, etc., so as to avoid the same figures being included twice, or omitted on one side, as between members of the group.

Control

THE MEANING ASSIGNED TO THE WORD "control" for the purposes of taxation is sometimes defined and sometimes not. The definitions vary, and are summarised hereunder.

Control for Sur-Tax Purposes

By Section 256 of the Income Tax Act, 1952, a company is deemed to be under the control of not more than five persons:

(a) if any five or fewer persons together exercise, or are able to exercise, or are entitled to acquire, control, whether direct or indirect, over the company's affairs, and in particular, but without prejudice to the generality of the preceding words, if any five or fewer persons together possess, or are entitled to acquire, the greater part of the share capital or voting power of the company; or

(b) if any five or fewer persons together possess, or are entitled to acquire, either the greater part of the issued share capital of the company, or such part of that capital as would, if the whole of the income of the company were in fact distributed to the members, entitle them to receive the greater part of the amount so distributed; or

(c) if—

(i) on the assumption that the company is a company to which section two hundred and forty-five applies; or

(ii) on the assumption that the company and any other company or companies are companies to which section two hundred and forty-five applies,

more than half the income of the company (including any income which has been apportioned to it, or could on either of those assumptions be apportioned to it) could be apportioned for sur-tax purposes among not more than five persons.

In ascertaining under paragraph (c) whether or not income could be apportioned among not more than five persons, account must, in cases where an original apportionment and any sub-apportionment are involved, be taken only of persons to whom income could be finally apportioned as the result of the whole process of original apportionment and sub-apportionment.

For the above purposes persons who are relatives of one another, persons who are nominees of any other person together with

that other person, persons in partnership and persons interested in any shares or obligations of the company which are subject to any trust or are part of the estate of a deceased person are respectively treated as a single person.

For these purposes—

(a) "relative" means husband, wife, ancestor, lineal descendant, brother or sister; and

(b) a person is deemed to be a nominee of another person if, whether directly or indirectly, he possesses on behalf of that other person, or may be required to exercise on the direction of or on behalf of that other person, any right or power which, by virtue of any of the above provisions, is material in determining whether a company is or is not to be deemed to be under the control of not more than five persons.

Control for Income Tax Purposes

By Section 333, control in relation to a body corporate means the power:

of a person to secure, by means of the holding of shares or the possession of voting power in or in relation to that or any other body corporate, or by virtue of any powers conferred by the articles of association or other document regulating that or any other body corporate, that the affairs of the first-mentioned body corporate are conducted in accordance with the wishes of that person, and, in relation to a partnership, means the right to a share of more than half of the assets, or of more than one half of the income, of the partnership.

This definition applies in respect of capital allowances (Section 333); interest paid abroad (Section 138); expenses allowances and benefits in kind of directors and others (Sections 167 and 168) and sales, etc., between associated persons which are capital on one side and revenue on the other (Section 469).

For the purposes of the restrictions on the transfer of residence by a body corporate resident in the United Kingdom and other transactions leading to avoidance of income tax or profits tax:

"control" (except in the expression "central management and control") means, in relation to a body corporate, the power of a person to secure, by means of the holding of shares or the

possession of voting power in or in relation to that or any other body corporate, or by virtue of any powers conferred by the articles of association or other document regulating that or any other body corporate, that the affairs of the first-mentioned body corporate are conducted in accordance with the wishes of that person (Section 468).

The word control is not defined in other instances where it is used in the Acts, e.g. Section 147 refers to partnerships where the "control and management" of the business is situated abroad; paragraph 4 of the Agreement of 1926 for avoidance of double taxation in the case of the Republic of Ireland refers to the country in which a company's business is managed and controlled; Section 201 (5) provides for relief from tax on dividends from companies resident abroad where a non-resident body corporate controls, directly or indirectly, not less than half the voting power in another non-resident body corporate, and receives a dividend out of profits on which United Kingdom income tax has been paid, and so on.

This throws us back to the case decisions, which are too numerous to be dealt with in this article, but it can be stated that control of a business must be distinguished from ownership. If an individual is resident in the United Kingdom, he controls a foreign business if he has the right to control it; if he is a partner in a foreign firm controlled and managed by foreign partners, he does not control the business (Section 147). In the case of a company, the test is not voting power but where the control of the business is exercised, which is normally where the directors meet to transact the company's business. Like "residence," "control" is a question of fact.

Control for Profits Tax and Excess Profits Levy Purposes

Here there is no definition of "controlling interest," though it is important

as affecting directors' remuneration, etc. It has been held that controlling interest means control by voting power at a general meeting, and also that it is the shareholding as shown by the company's register of members that counts, irrespective of any trusts that exist. The only exceptions appear to be that a nominee is controlled by the beneficial owner of the shares, and a bare trustee by a beneficiary with an absolute title.

Control for Estate Duty Purposes

The companies caught by the Finance Act, 1940—under Section 44 (purchases of annuities, etc., from relatives); Section 46 (charge on the company's assets in respect of deceased's benefits); Section 55 (valuation of shares and debentures) and Section 56 (limitation of exceptions for consideration and for

exclusion of deceased where company concerned) are defined as:

Any company which at any relevant time was, or would on certain assumptions have been, deemed for the purposes of sur-tax to be under the control of not more than five persons.

"Relevant time" for Section 55 means any time in the five years ending with the death, and for the other Sections the period from the earliest transaction to the date of death. The effect of the assumptions is that foreign companies are included, and any amendments in the sur-tax definition made after 1940 will not apply to estate duty unless expressly saying so.

In determining for Section 55 whether the deceased controlled the company at any time in the five years preceding his death, a person is deemed

to have had control of a company at any time if he then had:

(a) the control of powers of voting on all questions or on any particular question affecting the company as a whole, which if exercised would have yielded a majority of the votes capable of being exercised thereon, or

(b) the capacity to exercise or to control the exercise of (i) the powers of a board of directors or of a governing director, or (ii) power to nominate a majority of directors or a governing director, or (iii) power to veto the appointment of a director, or (iv) powers of a like nature,

or if he could have obtained such control or capacity by an exercise at that time of a power exercisable by him or with his consent. Control in a fiduciary capacity is disregarded unless imposed by his own disposition (Section 58 (5)).

Section 55 also applies in other circumstances; here we are only concerned with "control."

Settlements

MAKING UP DEFICIENCY OF INCOME OUT OF CAPITAL

[CONTRIBUTED]

IT IS NOT UNCOMMON TO FIND CLAUSES IN wills and settlements providing that a deficiency of income in any year is to be made up by the trustees to the beneficiary by a realisation of capital. On first impression, it would be considered that as capital was being realised, what was being paid out to the beneficiary out of such capital was, for tax purposes, capital, and not income, in the hands of the beneficiary. That this is not so and that the money would be received by the beneficiary as income in such circumstances has, however, been established.

In *Williamson v. Ough* (1936, A.C. 384), a testator bequeathed an annuity to his wife for life as a prior charge upon his estate, and directed that the surplus income should be divided in equal shares among his wife and daughters. He authorised the trustees during the life of his wife to make payments on account of income to the persons entitled for the time being to the trust income. Such payments in advance of income were not to exceed a certain sum, were to be made out of money in the hands of the trustees,

whether representing capital or income, and were to be charged against income; payment made out of capital was to be recouped as far as practicable as and when the trustees should think fit. It was held that payments made in these conditions constituted income in the hands of the recipient.

The decision to the contrary of *Finlay, J.*, in the Court of first instance, and of Lord Justice Romer in the Court of Appeal, appear to have been based on the view that there was an obligation on the beneficiary to repay sums thus advanced to him by the trustees out of capital, and it was the key-stone to their judgments (see 1936, A.C., at page 391). The House of Lords, however, were of opinion that no such obligation to repay arose, the only recoupment to capital to be made out of future income being in the discretion of the trustees.

It is a moot point, therefore, whether the existence of any obligation on the part of the beneficiary to repay what in fact was a loan to him would not prevent such a payment from being income in his hands.

The decision of the House of Lords in

Cunard's Trustees v. C.I.R. (1946, 1 A.E.R. 159) sheds light on certain other aspects of the matter. There, the will provided, *inter alia*, that if in any year the income of the residuary estate should be insufficient to enable the beneficiary to reside in a house devised to her, the trustees were to be empowered to apply such portion of the capital of the residuary estate by way of addition to the income as they in their absolute and uncontrolled discretion might think fit. Any capital so applied was not to be replaced out of the income of a subsequent year, but was to be treated as an additional bequest to the beneficiary. The House of Lords held that certain payments made out of capital in pursuance of this power were received as income for tax purposes by the beneficiary.

Two particular points of importance, among others, emerge from this decision. Firstly, that payments which trustees have a discretion to make, or not to make, are not voluntary. Secondly, that payments such as these are "annual," although not made and not necessarily recurrent every year, since they were capable of being recurrent.

Incidentally it should be observed that the payments were regarded as income notwithstanding that they were not to be recouped out of subsequent income, but were to be treated by the terms of the will as capital payments.

Morant's Case (1948, 1 A.E.R., 732) was one in which the settlor himself was entitled to the trust income, the money in this case having been settled on protective trusts for his benefit during his life, with a proviso

directing the trustees to make up a deficiency of the trust income in any year up to a stated figure. Such deficiency was to be raised out of capital.

The Court of Appeal held that as the settlor had irrevocably parted with the capital fund, the sums paid to him out of the capital to make up the deficiency were not to be regarded as a return of part of his capital to him, but as annual payments of income. The observations of Cohen, L.J. (at page 735), are of interest. He pointed out that it was always open to a settlor to determine the nature of the interest he retains, and that no doubt a settlement could be so framed as to reserve to the settlor an interest in the capital and thus to prevent a payment out of capital made to

him being treated as an income receipt in his hands.

The important observations of Finlay, J., in *Brodie's Trustees* (17 T.C., at pages 438-9) give an indication of the manner in which payments out of capital may be prevented from being treated as income receipts in the beneficiary's hands. He said:

Of course, if certain sums of capital were simply handed over by the trustees to the beneficiary, it is clear that tax would not attach, but it is to my mind not less clear that if the sums were paid and received as income . . . (then they would be treated as income and liable to tax).

And he added:

One has to consider the source from which the sum was received, and what were the circumstances in which it was received. If the capital

belonged to the person receiving the sum, and if he or she was beneficially entitled not only to the income but to the capital, then, when the payments were made, they ought to be regarded as payments out of capital; but where there is a right to the income, but the capital belongs to somebody else, then if payments out of capital are made, and made in such a form that they come into the hands of the beneficiaries as income, it seems to me that they are income, and none the less income because the source from which they came was—in the hands not of the person receiving them but in the hands of somebody else—capital.

In other words, therefore, in order to prevent the receipt from being an income receipt, steps must be taken securing that, in advance of the payment, the capital out of which the payment is made is vested in the recipient, as capital.

Taxation Notes

Changes in P.A.Y.E.

THE BOARD OF INLAND REVENUE ARE making certain changes in the P.A.Y.E. system. The changes will not affect the majority of employees, but they will reduce the amount of non-productive work in dealing with many of those employees who are not liable to pay tax because of the size of their personal allowances. For such employees, a new card, called the code card, will be sent by the Tax Office to the employer. It will authorise the employer to use the code number shown on it. If the employee changes his employment before he becomes liable to tax, he will be given this card by his employer and will take it with him to his new employer. This procedure will be simpler than that now followed on a change of employment.

The Inland Revenue consulted representatives of employers and employees before deciding upon these changes.

Instructions are issued by the Inland Revenue on a Green Card.

Wife's Earned Income

The stepping up of the reduced rate relief will tempt many taxpayers to increase the salary paid to a wife

helping in the business. The optimum figure is now £669, as can be seen thus:

Salary	...	...	£669	0	0
E.I.R.	...	£149			
A.P.R. ("W.E.I.R.")	120				
			269	0	0
			£400	0	0

£100 at 3s.	...	...	£15	0	0
150 at 5s. 6d.	...	...	41	5	0
150 at 7s. 6d.	...	...	56	5	0

Tax payable ... £112 10 0

The relief obtained in terms of tax is thus:

£269 at 9s. 6d. =	£127	15	6
100 at 6s. 6d. =	32	10	0
150 at 4s. =	30	0	0
150 at 2s. =	15	0	0

£205 5 6

In 1951-52, the optimum was £450, giving relief of:

E.I.R.	£90
P.R.	110

£200 at 9s. 6d. =	£95	0	0
£50 at 6s. 6d. =	16	5	0
£200 at 4s. =	40	0	0

£151 5 0

If the husband's earned income absorbs the maximum earned income relief, the optimum becomes: 1951-52, £360; 1952-53, £520. An increase to the new

optimum figure will inevitably arouse question from Inspectors of Taxes, and it is certain that many cases will be taken to appeal. A taxpayer will often have difficulty in proving that the salary is wholly and exclusively paid for the purposes of his trade or business. A commercial rate is justifiable and can even be generous, but anything more can be attacked. Compare *Stott and Ingham v. Trehearne* (1924, 9 T.C. 69), where commission paid to sons was disallowed so far as it exceeded a rate on a commercial footing, and *Copeman v. William Flood and Sons Ltd.* (1940, 24 T.C. 53), where it was held that although sums were paid to directors as remuneration, they were not for that reason necessarily wholly and exclusively laid out for the company's trade and the case was remitted to the Commissioners to decide whether the sums, or what portion of them, were in fact so expended.

Clients should be advised not to be greedy! Assuming the full earned income relief is available, the respective tax "saved" in 1952-53 by payments to a wife (if they "pass muster") are as follows:

Salary	Tax payable	Tax on reliefs = "saving"
£nil		£73 12 6
£155	6 3 0	92 13 0
208	21 1 0	127 3 0
312	40 0 6	149 19 6
400	63 0 0	174 10 0
500	92 5 0	192 15 0

We have seen businesses where the

wife would be getting more than the husband and the "saving" would then be less!

Tax at 75 per cent.

Some companies that are in the unhappy position of having been in course of rehabilitation in the standard years are facing the maximum rate of E.P.L., namely, 15 per cent. on the profits. Such a company must earn slightly over £207 to pay a dividend of £100 gross or £52 10s. net, thus:

E.P.L. 15 per cent. on	£207 10	
£207	=	£31 10
I.T. 47½ per cent. on		
£207	=	£98 6 6
P.T. on dividend 22½ per		
cent. on £100	=	£22 10 0
P.T. on balance of profit		
2½ per cent. on £107	=	£2 13 6
		154 11 0
Net dividend		£52 10 0

Had it a standard which meant no E.P.L. were payable, it need earn only £145. Thus:

I.T. 47½ per cent. on	£145 0 0	
£145	=	£68 17 6
P.T. 22½ per cent. on		
£100	=	£22 10 0
P.T. 2½ per cent. on		
£45	=	£1 2 6
		92 10 0
Net dividend		£52 10 0

Could the absurdity go further?

Ignorance of the Law is No Excuse!

Paragraph 13 of the 12th Schedule to the Finance Act, 1952:

In computing the profits and losses of a member of a group for the purposes of the Excess Profits Levy—

(a) dividends received from any other member of the group shall be left out of account, except for the purpose of computing the undistributed profits or over-distributions of profits of the member receiving the dividends; and

(b) any election by the principal member under paragraph (a), paragraph (b) or paragraph (c) of sub-paragraph (4) of paragraph 9 of this schedule shall be deemed, for the purposes of paragraph 12 of the ninth schedule to this Act, to be an election by each of the members of the group under paragraph (a), paragraph (b) or paragraph (c), as the case may be, of sub-section (4) of section thirty-eight

of this Act, and the proviso to the said paragraph 12 shall, with any necessary adaptations, have effect accordingly.

Paragraph 12 of the 9th Schedule:

Where:

(a) the body corporate's trade or business commenced before the first day of January, nineteen hundred and forty-seven; and

(b) no requirement in respect thereof was made for Excess Profits Tax purposes under paragraph (a) of sub-section (1) of section thirty-seven of the Finance Act, 1946 (which provides for relief from that tax where repairs and renewals were deferred until after the end of the period for which that tax was chargeable), such adjustments, if any, shall be made in computing the profits for the standard years as are necessary to secure that the amount deducted in respect of expenditure upon repairs and renewals necessary to maintain assets in an effective working condition which was incurred by the body corporate during the standard years does not bear to the total such expenditure incurred by the body corporate in the period beginning with the first day of January, nineteen hundred and forty, or with the date of the commencement of the trade or business, whichever is the later, and ending at the end of the year nineteen hundred and forty-nine a greater proportion than two years bears to the length of the period beginning and ending as aforesaid:

Provided that:

(i) where the body corporate makes an election under paragraph (a) of sub-section (4) of section thirty-eight of this Act, this paragraph shall have effect as if the year specified in the election were not a standard year and as if for "two years" there were substituted "one year"; and

(ii) where the body corporate makes an election under paragraph (b) or paragraph (c) of the said sub-section (4), this paragraph shall not apply.

Section 38 (4):

A body corporate may, if it thinks fit, elect:

(a) that its profits for one of the two standard years (to be specified in the election) shall be taken for the purposes of sub-section (1) of this section to have been an amount equal to eight per cent. of the average amount of its paid-up share capital in that year; or

(b) that an amount equal to ten per cent. of the amount of its paid-up share capital at the end of the year nineteen hundred and forty-six or the year nineteen hundred and fifty-one (as may be specified in the election) shall be taken for the purposes of this section to be the amount arrived at in its case under sub-section (1) of this section; or

(c) that an amount equal to eight per cent. of the amount by which at the end of the year nineteen hundred and forty-six or of the year nineteen hundred and fifty-one (as may be specified in the election), the value of its assets, computed in accordance with the provisions of the 8th Schedule to this Act, exceeds the amount of its liabilities so computed, shall be taken for the purposes of this section to be the amount arrived at in its case under the said sub-section (1);

and the preceding provisions of this section shall have effect accordingly:

Provided that where an election is made under paragraph (b) or paragraph (c) of this sub-section, sub-section (2) of this section shall not apply to sums received or paid before the end of the year specified in that election.

Could it be said: "For the purposes of the deferred repairs provision, an election by the principal company binds each member of the group"? Or is that too dangerously simple?

No prizes are offered!

Section 142, Income Tax Act, 1952

We regret a drafting error on page 341 of the October issue through using a minus instead of a plus sign. In illustration (4) the division of loss for Section 342 should read:

A $\frac{2}{3}$ (£1,000 + £400) = £933

B $\frac{1}{3}$ (£1,000 + £400) - £400 = £67.

If A claimed under Section 342, he would carry forward £933. B's Section 142 claim would be on £500.

If A claimed under Section 142, he would claim on £500, leaving £433 to carry forward. B's Section 142 claim would still be on £500.

The F.B.I. on Excess Profits Levy

We have received from the *Federation of British Industries* a copy of a "Guide to the Excess Profits Levy." This is obtainable from the Federation at 21, Tothill Street, London, S.W.1, price 1s.

This booklet of 31 pages is written as simply as possible to permit the major provisions of the complicated legislation to be more readily grasped. It is not a complete epitome, but will be welcomed as a guide to the maze of Sections and Schedules dealing with Excess Profits Levy. Simple examples of various aspects add to the worth of the booklet. Those who have studied the 12th Schedule to the Finance Act, 1952, will agree that, in connection with groups: "The general danger of mis-interpretation which always exists with any summary of legislation is therefore particularly acute in this connection, and those industrialists concerned are advised to study the actual provisions very closely." Nevertheless, the summary regarding groups is a very helpful introduction to the law and will enable the Schedule to be studied more hopefully.

A note on Egypt and Double Taxation appears among Professional Notes on page 359.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

INCOME TAX

Charity—Payments by City of London Corporation under Statute—"Such moneys as shall be necessary" to enable the work of the charity to be carried on—Whether "annual payments"—Epping Forest Act, 1878, Sections 3, 31, 33, 39, 41, 42—Income Tax Act, 1918, Schedule D, Case III, Rules 1 (a), 2 (1) (b), 2 (2); General Rules No. 19.

Corporation of London (as Conservators of Epping Forest) v. C.I.R. (C.A., May 28, 1952, T.R. 269) was fully noted in our issue of May last at page 140, and for the facts of the case reference should be made to that note. The question was whether the amounts paid by the Corporation to the Conservators to meet the annual deficits of the Epping Forest Committee were "annual payments" from which tax was deductible. The Special Commissioners had decided in favour of the Corporation; Donovan, J., had reversed their decision; and a unanimous Court of Appeal now reversed the latter's decision, Evershed, M.R., giving the judgment of the Court. At the commencement of his judgment he said:

Two matters of the first importance may now be stated. (1) Although, as appears from the Act, the Conservators of Epping Forest... are in fact an emanation of the Corporation it has been agreed on both sides, and we do not suggest that it was otherwise than properly agreed, the Conservators should be treated as though they were a body entirely separate and distinct from the Corporation.

The second matter was that the purposes were in law charitable. The result was that the case had to be dealt with as if

we were dealing with a body of independent trustees managing a charitable foundation... bound accordingly to apply all their funds, and particularly the income of such funds, exclusively in furtherance of such charitable purposes,

and on that basis, seeing that the Conservators could not be thought of as carrying on a trade, the principle that an annual payment for income-tax purposes must be one which is all profit in the recipient's hands was inapplicable. The key point in the case was, of course, the concession in argument that the Corporation and the Conservators should be treated as if independent bodies, and it was this fact which

made it difficult for the latter to be regarded as merely an instrument for carrying out the former's statutory obligations. Leave was given to appeal to the House of Lords and, in the event of a Revenue success there, a very large class of charitable covenants would be affected.

Transactions in real property—Acquisition of property consisting of three tenements of houses and four shops—Transfer to company formed for investment or resale of buildings or other property real or heritable—Transfer made nine months after purchase—Money expended on alterations and repairs—Part of property demolished—Lettings at rents for several years—Whole property sold at large profit seven years after formation of the company—Whether an adventure in the nature of trade—Income Tax Act, 1918, Section 237.

C.I.R. v. Toll Property Co., Ltd., (Court of Session, June 18, 1952, T.R. 303) was a case on familiar lines but distinguished in that the Court reversed a finding of fact by the General Commissioners. In 1941, Mr. S. B. Allison, a demolition contractor, acquired for the modest sum of £20 property in Paisley consisting of "three tenements of houses and four shops." Nine months later, Mr. Allison and a fellow director of Samuel B. Allison, Ltd., demolition contractors, formed a company, the principal object of which was to acquire property for investment or resale, the real object of the formation of the company being to limit the possible liability arising from the dangerous condition of the property. Money was spent on alterations and repairs and part of the property was demolished. For some years the income from lettings amounted to sums of between £50 and £100 per annum; and seven years after the formation of the company the property was sold for £3,000. The majority of the General Commissioners had held that the transaction was not in the nature of trade and, therefore, the profit realised was not assessable. They gave as their reasons that the company was a distinct legal person and as the company had derived income from an isolated property transaction for a number of years the transaction was one of investment. The Court was unanimous that the Commissioners had misdirected themselves and

were not entitled to reach such a conclusion in view of the company's objects and the whole of the other circumstances of the transaction. The dissenting Commissioner had held that the transaction was an adventure in the nature of trade and the Court endorsed his conclusion. Had the company's memorandum forbidden it to deal in property the result, in view of the prolonged lettings, might well have been different.

Brick-making—Purchase of bings of blaes (heaps of pit refuse)—Tenancies of lands on which bings situated—Cost of bings written off in accordance with estimated cost of material used—Whether deductible in computing brick-making profits—Income Tax Act, 1918, Schedule D, Cases I and II, Rule 3 (f)—Finance Act, 1934, Section 21.

C.I.R. v. Broomhouse Brick Co. Ltd. (Court of Session, June 25, 1952, T.R. 309) was a case where the respondent company was a manufacturer of bricks from the refuse tips of two collieries. It had purchased the material forming the tips, or "bings" as they were termed, for lump sums of £475 and £1,000 respectively, and had been granted tenancies at £5 per annum for twelve and a half and fifteen years, respectively, of the lands on which the bings were situated, with provisions for capital payments of £30 per annum for each year in case of extension. Provision was also made regarding rates, fencing, access, resumption of land when cleared, etc. In each case the annual value for Schedule A and rating purposes had been restricted to the £5 rent paid for the land underlying the bings. The lump sums were charged to capital, but amounts estimated to be the cost of the material used by the respondent company had been written off to revenue and had been allowed for taxation up to the year 1946. In the accounts to May 31, 1947, £200 had been written off to revenue upon the same basis as before but the Inspector had disallowed the amount as being a payment in the nature of "grassum"—a term in Scots law meaning a lump sum paid in consideration of a lease of landed property. In other words, it was claimed that the £475 and £1,000 were capital expenditure and the £200 was capital.

The General Commissioners had held that the amount was deductible in arriving at the respondent's profits and a unanimous Court upheld their decision, Lord Carmont giving the only judgment. He held that the payments were not in the nature of grassum, that the transaction was definitely one of sale so far as the material was concerned, and that the length of the period for removal did not detract from that conclusion. The decision in *Golden Horseshoe*

(*New*) *Ltd. v. Thurgood* (1934, 1 K.B. 548; 18 T.C. 280), amongst the cases referred to, was held to be directly in point, a case arising out of very similar sales of "tailings" from South African gold mines, the only difference being that whilst there it was the gold in the tailings that was valuable, here it was the material itself in the bings that was used.

Despite the attempts made in the Courts and by legislation to tax the recipients of profits from land like or akin to those in the case, the Revenue has found the quarry as elusive as "Brer Rabbit." It would obviously have been inequitable to disallow the deduction of the £200 in computing the profits of the respondent company. Nevertheless, had the amount been held to be inadmissible as being an instalment of capital outlay, this fact would inevitably have been a factor in fixing the price of bings generally; and so the tax involved in so far as estimated would have been shifted to the landowner at the time of purchase. The law, however, does not recognise such indirect taxation.

Football club—Players' wages—Alteration of contract period—Accounts of club made up to March 31—Proportion of wages for off-season subsequent to March 31 charged as expenses of year then ended—Whether allowable deduction in arriving at profits to March 31—Income Tax Act, 1918, Schedule D, Case I.

C.I.R. v. Albion Rovers Football Club, Limited (House of Lords, July 11, 1952, T.R. 327) was noted in our issue of July, 1951, at page 273. It arose out of a decision by the Scottish Football League that for the 1948-49 and future football seasons players' contracts, instead of running from May 1 to April 30 (the latter date being the end of the nine months' playing season), should run from August 1 to July 31. To effect the change, the 1948-49 contracts were to be for 15 months, so that in this period there were six non-playing months, viz., May, June and July in 1948 and the same months in 1949. For the club it was contended that in arriving at the 1948-49 profits for the 1949-50 assessment there should be taken eight-ninths of the wages for both non-playing periods, the argument being that the contract was for 15 months, of which only nine were remunerative. The Special Commissioners had refused to allow any deduction in respect of the months subsequent to the club's year of account ended March 31, 1949, holding that there was nothing in the players' agreements which would relate the payments for the months of May, June and July, 1949, back to the said year of account. The Court of Session (Inner House) had reversed the Special Commissioners' decision, accepting the club's argument but saying that it was

a highly special case in which it was not necessary to come to a decision on any general question. In the present writer's previous note on the case, he said:

Although their Lordships were so keen upon avoiding a decision on general principles, the opinion may be expressed, with all respect, that the decision established a special principle of doubtful validity which can only add to administrative complexities.

The Revenue, in taking the case to the Lords and paying the whole of the costs, had apparently plenty at stake. Apart from the question of principle, the respondent club was only one of the clubs comprised in the League. Their lordships restored the decision of the Special Commissioners, holding that the players had to perform training duties during May, June and July and that the wages paid during those months were payments for those months and not referable back to the immediately preceding playing season. Lord Reid did not, however, accept the Crown's argument that to be a proper deduction for a year a sum must be actually paid during the year, and gave as an example the case of a contract completed during a year which provided for payment of whole or part of the price at a later date.

Machinery and Plant—Sale by partnership to company controlled by partners—Transfer at open market price—Market price largely in excess of "limit of recharge"—Whether "limit of recharge" applicable—Income Tax Act, 1945, Section 59.

Wilson (Dunblane) Ltd. v. C.I.R. (Court of Session, June 25, 1952, T.R. 317) was a case where a flaw has been revealed in the Income Tax Act, 1945. The appellant company had acquired from a partnership machinery and plant. The partners controlled the company, and it was not disputed that the price paid, £17,554, was the open market price at the date of sale. This was claimed to be the value upon which the statutory allowances to the appellant company should be computed, whereas the Revenue's contention was that the value to be taken should be the "limit of recharge," viz. £8,000. "Limit of recharge" is defined in sub-section (3) of Section 59 and may be taken as the cost to the vendor. The object of Section 59 was to curtail the loss to the Revenue which had arisen in the past in certain circumstances. By sub-section (1) the scope of the section was to extend to sales of "any property" where (a) buyer controlled seller, or vice versa, or another person controlled both or (b) the sole or main benefit aimed at was taxation advantages. It was not contended that the latter was the case. By sub-section (2):

Where the property is sold at a price other

than that which it would have fetched if sold in the open market, then, subject to the succeeding provisions of this section, the like consequences shall ensue . . . in their application to income tax of all persons concerned as would have ensued if the property had been sold for the price which it would have fetched if sold in the open market.

Whilst sub-section (2) applied to property, generally, sub-section (3) was limited to sales of machinery or plant and provided (a) that no initial allowance was to be made to the buyer and:

(b) . . . if the price which the property would have fetched if sold in the open market is greater than the limit of recharge on the seller, the last preceding sub-section shall have effect as if for the reference to the price which the property would have fetched if sold in the open market there were substituted a reference to the limit of recharge.

Unfortunately, for the Revenue, sub-section (2), as will be seen from the above, contains *two* references and not merely "a" reference; and the case depended solely on this, apparently an error in drafting. The Crown contended that for "the reference" and "a reference" there should be substituted "references" in sub-section (3) and in sub-section (2) for:

price other than that which it would have fetched if sold in the open market,

there should be substituted:

price other than the price which the property would have fetched if sold in the open market.

As regards the first contention, the Special Commissioners had relied upon Section 1 of the Interpretation Act, 1889, by noting that the singular includes the plural; but the Lord President pointed out that "chaotic results" would be produced by the general application of this rule to legislation by reference, and in Court the Crown abandoned the argument.

A unanimous Court reversed the Special Commissioners' decision. The Lord President, giving the only full judgment, doubted whether there was any ambiguity.

It may well be that Parliament deliberately intended that sub-section (2) should not under any circumstances apply to cases where the "sale" took place at market prices.

and intended that sub-section (3) was only to apply in cases of "sales" at an artificially inflated or deflated price.

The decision is of importance for the time being. The right to allowances based on open market price was obtained by the simple method of converting a partnership into a private company. There are, of course, many other ways of achieving a similar result and so obtaining allowances upon a basis which, save where the plant or machinery is obsolescent, is, substantially, replacement cost less the proportion representing use.

The Student's Tax Columns

PROFITS TAX

THE FOLLOWING COMPUTATION OF THE LIABILITY OF A company for the year ended March 31, 1952, is, in the main, self-explanatory. The company is director-controlled.

Income tax computation:

Profits per accounts	...	...	...	...	£15,890
Depreciation	...	...	...	...	3,240
Subscriptions	...	...	...	...	50
Improvements in repairs	...	...	...	...	320
Loan interest	...	...	...	...	500

20,000

Less Net Annual Value (N.A.V.)	...	£ 600
Investment Income	...	3,700
		<u>4,300</u>

Less Profits Tax to December 31, 1951	15,700
			<u>5,318</u>

For assessment, 1952-53	10,382
Less Capital Allowances	<u>4,000</u>

			<u>£6,382</u>
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Profits Tax Computation:

Profits as above before charging Profits Tax	...	£15,700
Add Investment Income and N.A.V.	...	4,300

		<u>£20,000</u>
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Less Capital Allowances 1951-52	...	£3,000
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Loan Interest (assumed none paid to directors, other than whole-time service directors (W.T.S.))	...	500
--	-----	-----

Franked Investment Income (F.I.I.)	...	2,500
------------------------------------	-----	-------

		<u>6,000</u>
--	--	--------------

		<u>14,000</u>
--	--	---------------

Remuneration of directors who are not W.T.S.	...	10,000
--	-----	--------

		<u>£24,000</u>
--	--	----------------

Directors other than W.T.S.

	Remuneration
A working full time	£2,300
B " "	1,600
C " "	1,100
Others—part time	5,000

		<u>£10,000</u>
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Allowable to December 31, 1951, £4,500 per annum or 15 per cent. of profits if greater.

Allowable from December 1, 1952, A, B and C total=£5,000 per annum or 15 per cent. of profits if greater. Although B has more than £1,500, this is offset by A having less than £2,500. (Had C had £1,600 or more, the allowance would have been £5,500.)

	C.A.P. April 1, 1951, to December 31, 1951	C.A.P. January 1, 1952, to March 31, 1952
Profits (£)	£18,000	£6,000

Deduct Maximum

Directors' Remuneration, $\frac{3}{4} \times £4,500 = 3,375$	$\frac{1}{4} \times £5,000 = 1,250$
--	-------------------------------------

	<u>£14,625</u>	<u>£4,750</u>
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Gross Relevant Distribution:

Disallowed directors' remuneration	£10,000 - £4,625 = £5,375
Dividends paid re year ended March 31, 1952—gross	9,125

	<u>£14,500</u>
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(There is no limitation by reference to increased or decreased rates of dividend.)

Although the actual facts can be taken to divide the profits between C.A.P.s as above, the Finance Act, 1947, requires the gross relevant distribution to be divided on a "time" basis. The profits plus F.I.I. are £14,625 + $\frac{3}{4} \times £2,500 = £16,500$, and £4,750 + $\frac{1}{4} \times £2,500 = £5,375$, respectively.

	C.A.P., April 1, 1951, to December 31, 1951
	£14,625 at 50 per cent. = £7,312 10

Net relevant distribution:

$\frac{14,625}{16,500} \times £14,500 \times \frac{3}{4} =$	9,639
$\frac{4,750}{5,375} \times £14,500 \times \frac{1}{4} =$	

Non-distribution relief	£4,986 at 40 per cent. = 1,994 8
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	<u>£5,318 2</u>
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Total Profits Tax = £5,521 18.

	C.A.P. January 1, 1952, to March 31, 1952
	£4,750 at 22 $\frac{1}{2}$ per cent. = £1,068 15

	3,203
--	-------

	£1,547 at 20 per cent. = 309 8
--	--------------------------------

	<u>£759 7</u>
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The Month in the City

Conversion not Funding

THE RECESSION IN MARKETS, TO WHICH reference was made here last month, and which arose from talk of a large-scale funding operation by the Treasury, was not of long duration. At the beginning of this month the Exchequer announced its plans, which consisted in an offer of further slices of the Serial Funding stock 1953 and 1954 and of a new 3 per cent. stock 1955 for cash and in conversion of both the maturing Serial stock 1952, falling due on November 14, and the National War Bonds, repayable on March 1, 1953. Holders of the former could take any of the three stocks and the latter only the last. The terms did not look particularly attractive in view of the return obtainable on Treasury bills, but the discount market increased their bid price for this paper, and thus changed the relative merits of the new stocks. No special offer was made, as was the case last November, to accept Treasury bills in payment for the new stocks; but, after talks lasting some days, an arrangement appears to have been reached with the clearing banks that funds would be made available by purchasing bills, almost irrespective of maturity dates, for those who wished to apply. Thus, more flexibility was introduced into the operation, without making it appreciably less effective from the standpoint of the Exchequer than that of last year. In the event cash applications totalled £317 million stock, of which £135 million were for 1½ per cent. Serial Funding 1953, £67 million for the 1½ per cent. 1954 and £115 million for the 3 per cent. Serial Funding 1955. It was estimated that of this total substantially more than two-thirds was taken by the clearing banks under what was virtually an agreement to reduce their liquidity ratios from an average of around 38 to 34 per cent.

Banks' Large Part

It would, of course, not have made sense for the banks to apply heavily for the cash stocks and then to neglect the offer to convert. It was generally understood that the clearing banks took about half the total

of £1,000 million of Serial stocks issued last November and that they held more than half the £450 million of these stocks which fall due this year. It is understood that they have converted practically the whole of their holdings of this security. As to the National War Bonds, both total holdings and the proportion converted are less clear, but it is understood that the Treasury find the net result very much what they had expected and, therefore, quite satisfactory. Of the total of £522 million of War bonds outstanding, 71·65 per cent. were converted. Of the Serial stock 1952 the figure was 77·67 per cent. This amount was split up 54·5 per cent. into one-year stock, 15·4 per cent. into two-year and 7·8 per cent. into three-year. This means that £105 million has to be paid off on November 14, while of the War bonds there remain outstanding £148 million. The size of the cash application means much reduced demands on Treasury bills at the weekly tender for the rest of the financial year. It remains to be seen whether any further operation of a more deflationary character is intended, but nothing large is looked for. There is, however, £60 million of one-year Transport stock falling due in December, and this would offer an opportunity to make a modest funding application to the public. The net outcome of all this has been a reduction in the Treasury bill rate and a recovery in all sections of the market, other than gold mining shares. Between September 24 and October 24 the indices compiled by the *Financial Times* show the following changes: Government Securities, from 92·90 to 94·58; industrial ordinaries from 113·6 to 115·0; gold mines from 92·47 to 89·66. The first two are well above the August 20 level. The fall in the last has been accentuated by labour troubles.

Cable and Wireless Re-Borrow

It will be remembered that 'when *Cable and Wireless (Holding)* changed its activities to those of an investment trust only, arrangements were made to return a large part of the assets to the shareholders, either at once or over a period of years.

In particular £8,200,000 of 3 per cent. stock was to be paid off over 3½ years and of this over £5 million has been repaid. The management now feel that a halt should be called to this business of reducing the size of the undertaking and they offer holders of this 3 per cent. stock the right to convert, pound for pound, into a 5 per cent. stock with a 20-25-year life. This, of course, affects the position of the 4 per cent. ten-year stock holders and they are, as compensation, offered the right to convert up to half their holdings into the new security. Whether or no it is desirable to maintain in being an investment trust of these dimensions—the end-1951 balance sheet total exceeded £16,750,000—has been questioned, but it has been successfully administered and it is really a matter for the holders of the 4 per cent. stock to decide whether or no they wish to make a longer dated investment. Given success in future, including an ability to earn more than 5 per cent. on capital, both the 4 per cent. stockholder and the Ordinary shareholders should benefit from the maintenance of funds in the concern.

The Bankers' Dinner

The annual visit of the Chancellor of the Exchequer to the Mansion House dinner, given to the bankers of the City of London, always calls forth some statement of importance. This year Mr. Butler had little definite to offer, but he did make it clear that backsliding on the home front would not be allowed to jeopardise the modest surplus secured on overseas account and that he had it in mind to call a halt to Government expenditure. Since then he has made a number of statements which can be read as an indication that, if he has his way, 1953 will be rather more austere for most of us than the year now drawing to a close. Meanwhile, the Governor of the Bank made it quite clear that Mr. Butler ought to be more energetic in the prosecution of his policy, while Mr. Braithwaite, Chairman of the Stock Exchange Council, made the same plea, but associated it with the necessity to reduce corporate taxation. It is very easy to agree with these strictures on past policy, but something has been accomplished in reduction of our over-spending at home and abroad, and within a matter of days of the speech there were two developments which are fruits of the policy: the ending of tea rationing and the opening of the free market in lead. The latter is another small step towards the freeing of dealings and the re-establishment of some of London's prewar functions as a centre of trade and finance.

Points from Published Accounts

Clarifying Balance Sheet Changes

More detailed interpretation by company chairmen of changes in balance sheet items seems eminently desirable. Reports from companies connected with the radio and television industry, for instance, have shown considerable increases in stock and debtors, which have been financed by bank borrowing. In view of the more difficult conditions which the industry is encountering, some shareholders are no doubt wondering if the increases are not in fact a red light of warning. They are entitled to clarification by their Boards.

Capital Expenditure Contracts

The Companies Act lays down that, where practicable, companies must state by way of note the aggregate amount or estimated amount, if it is material, of contracts for capital expenditure, so far as not provided for. If there are no commitments it might be thought that there was no need to put any footnote to the accounts stating this fact, but *Spurling Motor Bodies* thinks otherwise. It is stated that:

Neither Spurling Motor Bodies, Ltd., nor the group had outstanding capital commitments at February 29, 1952, for which provision has not been made in the accounts.

One can but admire the spirit which promoted this disclosure, while regretting the double negative in which it is framed.

Parent and Group Figures

So far as possible, it would seem to be desirable to draw up parent and group accounts on an identical basis in order to avoid possible misunderstanding. A first glance at the accounts of *Meccano* suggests that whereas the parent's trading profit is £746,359 the group trading profit is £388,048, which would be an unusual state of affairs. But closer examination shows that the former is "gross trading profit" before deducting overhead charges and head office expenses of £400,448 and directors' emoluments of £58,921. The group "gross profit" is struck after deducting these items. The use of two bases is apt to mislead shareholders.

Minority Interests

Profits attributable to minority interests are usually dealt with by a single item in the profit and loss account. A case can be

made out for more detailed treatment, such as is accorded by *Wm. Cory & Son*:

	Group	Minority Shareholders
NET PROFIT FOR THE YEAR ..	£ 972,426	£ 10,527
BROUGHT FORWARD FROM LAST YEAR ..	2,420,930	19,484
	3,393,356	30,011
Add:		
Adjustments in respect of newly acquired subsidiaries	2,016	7
	3,395,372	30,018
Less:		
Pre-acquisition profits attributable to interests of minority shareholders acquired by the group during the year ..	4,022	1,501
Amounts set aside to capital reserves ..	30,602	11
Amounts set aside to revenue reserves ..	672,727	1,170
	2,688,021	27,336
Deduct:		
DIVIDENDS PAID AND PROPOSED Dividends of Wm. Cory & Son, Limited, less tax ..	370,792	
Dividends from subsidiaries to minority shareholders, less tax, where applicable ..		4,148
CARRIED FORWARD TO NEXT YEAR, per balance sheet ..	2,317,229	23,188

United Gas Industries

The accounts of *United Gas Industries* are presented in an improved form. They are graced by a blue background for the group figures and a pink one for the parent's figures. If there is one minor objection it is that in order to compare the group balance sheet changes the eye has to travel from one side of the page to the other and leapfrog the parent figures in the process. It would have been better to show the group figures alongside each other.

The profit and loss appropriation account is also split into parent and group figures, again with coloured backgrounds, but the only point to emerge from this is that the subsidiaries have retained £26,034 of their net profits. And what their net profits were is undisclosed.

Reserves and Provisions

The accounts and chairman's speech of *Colthrop Board and Paper Mills* contain the following:

(a) A note to the profit and loss account stating: "The trading profit has been arrived at after setting aside a further £7,000 for possible future falls in value of stocks. (1951—£110,000)."

(b) The balance sheet shows stocks at or under cost £487,911, less reserve for possible future falls in value £117,000.

(c) A statement by the chairman: "You will, however, recollect that last year we set aside a reserve of £110,000 for possible future falls in the value of stocks. This sum has now been increased to £117,000, which will have the effect of minimising any further falls should they occur this year."

Since the 1951 appropriation of £110,000 has been preserved intact it follows that this was a reserve transfer and should therefore have been shown as a "below the line" entry, as was the 1951 transfer of £30,000 to reserve for possible loss on wood-pulp contracts.

It is not uncommon to find the trading profit shown after numerous deductions—often, regrettably, in order to mask the trend (we impute no such motive to *Colthrop Board and Paper Mills*). If this practice were carried to the extreme limit the trading profit would be the unappropriated profits of the year! Let us have an end to the showing of the trading profit after deductions. What shareholders want to know is the prime trading profit.

Subsidiary Accounts

Austins of East Ham is to be commended for going to the trouble of preparing full accounts for its subsidiaries. Besides the parent and group accounts there are full figures, including balance sheets, for three subsidiaries. We can think of several group companies which carry on widely differing activities, yet from the accounts the shareholder has no idea whatever of their relative earnings importance. *Austins of East Ham* have shown that there is no reason against the presentation of separate accounts, and it is to be hoped that this practice will be more widely adopted.

A Businesslike Route to the Continent

During the past four years *Silver City Airways* have flown a regular air ferry for cars to and from France. They are now offering a special encouragement to the business man having to visit the Continent to take his car by air this winter. The winter fares are some 25 per cent. to 50 per cent. lower than the summer fares. The "air bridge" from Lympne, near Folkestone, to Le Touquet, on the French coast, involves only 20 minutes flying time. With 20 minutes for reporting and Customs clearance in England, and 20 minutes in the Customs and getting away the other side, the total time off the road is only about an hour. (By boat the comparable time is upwards of five hours.) The route Southampton-Cherbourg is very little longer.

Last year, only 20 out of every 1,000 winter motorists heading for France went by air; this year, indications are that between 200 and 300 will do so. They will save time and money and energy.

Publications

THE APPOINTMENT AND REMUNERATION OF AUDITORS UNDER THE COMPANIES ACT, 1948. By the Incorporated Accountants' Research Committee. (*Published by the Society of Incorporated Accountants, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2 Price 2s. net.*)

This latest publication of the Incorporated Accountants' Research Committee covers only 19 pages. But the reviewer scrutinised four well-known books which purport to cover this subject and found that every point they made was in this latest publication—and many more.

The exact meaning of "exempt private company" is set out most lucidly and many doubts are thus cleared. (One minor doubt, however, the booklet does nothing to resolve. The *Industrial and Commercial Finance Corporation* is "presumed" to be a finance company designated by the Board of Trade. Surely the Research Committee could tell us whether it is or is not?) The views of the Board of Trade are given on the position which arises when a subsidiary is wholly owned by an exempt private company. Numerous examples are given of eligibility and of ineligibility for appointment as auditor.

The problem of a change of auditors is dealt with very satisfactorily. It is pointed out that notice of opposition to a retiring auditor may be negative, instead of positive, thus creating a vacancy. The position regarding an audit appointment when a company fails to hold an annual general meeting in a particular year is explained clearly and at length.

The "remuneration" of auditors is discussed fully. The differences between fees and expenses and the auditors' other professional charges are painstakingly examined.

The booklet competently sums up all that needs to be (or can be) known of the following topics: Appointment and ineligibility of auditors and all types of changes; the Board of Trade position regarding auditors; casual vacancies; exempt private companies; finance companies; joint auditors; notice in regard to retiring auditor and removal of first auditor; professional etiquette; profit and loss account; remuneration of auditors and position in respect of accountancy work; resolutions; rights of representation; and appointment of Scottish firm.

Our thanks are due to the members of the Research Committee for their devoted voluntary work.

No professional firm can dispense with

this booklet and none can afford to be ignorant on any of the important matters here so competently handled.

The pamphlet is handsomely produced at the nominal price of 2s. (It fits conveniently into a case, to take this and other publications of the Society, which is on sale at 8s. 9d. post free). D. S.

THE EXCESS PROFITS LEVY. By Roy Borneman, Q.C., and Percy F. Hughes, A.S.A.A. (*Taxation Publishing Company, Ltd. Price 21s. net.*)

After "the tumult and the shouting" which followed the publication of the Finance Bill; the submission of memoranda to the Chancellor; the lobbying of Members of the House; the profusion of amendments and additions in the Commons; then, to continue with our Kipling, did "the Captains and the Kings depart." It remains for the Inland Revenue Department and practitioners to interpret the Act and to make it work. They are likely to agree at once on three points. The first of these is especially significant to practitioners. It is that great confusion is caused by the extensive differences between the Bill as first printed and the Act as finally passed. Many clients required immediate, if tentative, advice on the position of their companies, and provisions inserted afterwards are apt to make a fainter impression on the mind than the original draft legislation. The second point is that a recollection, even of a general character, of E.P.T. legislation only adds confusion to a study of E.P.L. Thirdly, although there are signs of a change of draughtsmanship, the complexity of wording and cross-references is without parallel.

There are thus at least three general reasons why the appearance of *Borneman and Hughes* must be welcomed with a real sense of gratitude. This will be mixed with admiration for authors and publishers who produced this book little more than two months after the Royal Assent. One feels inclined to doubt Viscount Cave's statement that "a man must eat and sleep somewhere"!

The plan has been to reproduce, in heavy type, the E.P.L. Sections of the Act, to add a concise literary translation, and to give full and extremely helpful figure illustrations. The Sections are not given in the order in which they appear in the Act, but as is indicated by a logical arrangement of subject-matter. This makes it—very occa-

sionally—impossible to deal with one Section without introducing a concept whose explanation is yet to come; for example, the "severance of the nexus" puts in an appearance before it is described, as do direct and indirect share holdings of a group. Despite this, the arrangement is clearly the best for a practitioner's guide of this kind.

One must note that lack of experience of E.P.L. at work has brought no tendency to gloss over matters of special difficulty, such as transfers of businesses (a particularly intractable problem). Here, the examples are complementary—the same figures can be followed through the standard profits of transferor and transferee companies—and bring out some logic which, on early reading of the Act, seemed quite lacking in those provisions.

Little summaries, which the authors give from time to time, will be appreciated: there are, for instance, lists of "relevant dates" from which adjustments for over-distributions or under-distributions of profits commence, and of the alternative standards open to established and new companies.

It was a happy enterprise of lawyer, accountant and publisher which produced this valuable result.

J. S. H.

THE ACCOUNTANT'S INCOME TAX GUIDE. (*Barkeley Book Company, Ltd., London. Price 12s. 6d. net.*)

WHILLANS'S TAX TABLES AND TAX RECKONER 1952-53. By George Whillans, F.I.B. (*Butterworth & Co. (Publishers), Ltd., London. Price 5s. per copy with reduction for quantities.*)

The *Guide* comprises in one volume an index to the Income Tax Act, 1952, by John Gilbert, A.C.I.S., F.C.T.C., already mentioned on page 209 of our June 1952 issue; a Table of Comparison which is a reprint of the Inland Revenue publication mentioned on page 239 of our July 1952 issue; and an Index to the Finance Act, 1952, by John Gilbert. Useful as this book is, we are confused at the number and variety of the booklets, indexes, etc., which have followed the publication of the Income Tax Act, 1952!

Whillans's follows the well-known and handy form, including a grossing-up chart at 9s. 6d.; tax at the reduced rates on all relevant amounts; tax at 4s. 6d. for calculating profits tax at 22½ per cent., etc.; a table facilitating the calculation of refund to trustees in respect of "free of tax" annuities; sur-tax tables; national insurance contributions; income exempt in the hands of non-residents; list of double taxation agreements; rates of estate duty; P.A.Y.E. codes; officers' uniform allowances; "potted" notes on profits tax and E.P.L.,

etc., ending with a diary for 1952-53, showing the number of days from April 1 and April 6, and to March 31 and April 5. An amazing amount of detail is packed into a small space. This booklet is likely to be used frequently and is a time-saver.

H. A. R. J. W.

PRINCIPLES OF AUDITING WITH TYPICAL QUESTIONS AND ANSWERS. By E. Miles Taylor, F.C.A., F.S.A.A., and C. E. Perry, F.C.A., F.S.A.A. Twelfth Edition. (Textbooks, Ltd., and the British College of Accountancy, Ltd. Price 15s. net.)

This book was reviewed in our October

issue (page 351). We regret that the price was wrongly stated.

GUIDE TO THE EXCESS PROFITS LEVY. (*Federation of British Industries.* Price 15s. net.)

Reviewed on page 372.

JORDAN'S INCOME TAX GUIDE 1952-1953. Twenty-second edition. By Charles W. Chivers. (Jordan & Sons, Ltd. Price 25s. net.)

HOUSING STATISTICS 1950-51. (*Institute of Municipal Treasurers and Accountants,* 1, Buckingham Place, London, S.W. 1. No price given.)

BOOKS RECEIVED

"TAXATION" KEY TO INCOME TAX AND SURTAX, 1952-53. Edited by Ronald Staples. (Taxation Publishing Co., Ltd., London. Price 7s. 6d. net; post free, 7s. 9d.)

CONSEQUENTIAL FIRE LOSS INSURANCE. By Lyndesay M. Currie, A.C.L.L. (Gee & Co. (Publishers), Ltd. Price 21s. net.)

SELECTED READINGS IN ACCOUNTING AND AUDITING. Principles and Problems. Edited by Mary E. Murphy, PH.D., C.P.A. (Prentice-Hall, Inc., 75, Varick Street, New York.)

Readers' Points and Queries

Travelling and Hotel Expenses

Reader's Query.—In view of the case of *Beeson v. Bentleys, Stokes & Lowless*, and the quotations from the judgment reported on page 344 of the October issue of ACCOUNTANCY, what is the answer to the following problem?

A proprietor of a business travels extensively on business. His hotel and meal expenses would appear to be an expense solely for business, the meals being necessarily inherent in the business act. At times, however, his wife wishes to accompany him to certain places for her own private reasons. The husband does not fit the date and time to suit the wife, but proceeds normally on his business activities, the wife accompanying him. Firstly, they travel in the husband's car—does this expense then become totally disallowed, the activities undertaken being business, but also in addition satisfying the private wish of an individual? Secondly, they may both stay and have meals together at the same hotel. If the hotel and meals bills are inclusive of the wife's expenses, is the proportion of the husband's expenses allowable? If not, would the obtaining and payment of separate bills make any difference?

What is the position of a director who travels extensively solely in the performance of his duties, incurring hotel and meal expenses paid by the company? An expense can be a business one and at the same time a benefit in kind to a director. The meals sustain him personally and the normal household food bill may be lower whilst he is away from home. Is part then of the cost of meals to be taxable as benefits in kind on the director? Also, what of the director or traveller employed under P.A.Y.E. who receives an expense allowance?

The allowance under the old Rule 9 (now Rule 7) claim for full meal expenses must then be dependent on whether they are necessary in addition to wholly and exclusively incurred. Are these full meal expenses wholly allowable in a claim, as one finds that H.M. Inspector of Taxes often wishes to disallow a certain proportion?

Reply.—This is a line of country on which it is impossible to dogmatise—everything depends on the facts. An expense may be a proper business one, yet not wholly, exclusively and necessarily incurred in the performance of the employee's or director's duties. It is difficult to find occasions when the presence of the wife fulfils the requirements, though they do occur.

Carrying a passenger in a car does not seem to offend the rule. The proprietor has to show "wholly and exclusively" incurred expenditure: the word "necessarily" does not apply to Schedule D. His expenditure on himself is allowable unless it comes under Section 137 (b) as expenses for domestic or private purposes distinct from the purposes of the trade.

As for P.A.Y.E., see "The Employer's Guide," Part XIX. The last sentence is arguable on the merits of each case.

Receipts on Cheques

Reader's Point.—I was interested in the query and reply on this subject on page 349 of your October issue.

My Council now relies on a form of receipt on the reverse of cheques in the words "Received the amount stated overleaf." In my opinion this merely states a self-evident fact and appears to have no advantages over a simple endorsement. I should add that all cheques dispatched are accompanied by a detailed remittance advice numbered to correspond with the cheque itself.

In view of this, and after consultation with the District Auditor, I have recommended the Council in future to rely purely on endorsement of cheques and I am wondering whether any other undertakings have adopted a similar course.—*Borough Treasurer.*

Capital Allowances

Reader's Query.—A taxpayer's profits were assessed at £354. He was entitled to allowances amounting to £366 of which £20 was a capital allowance. The excess of the allowances over the profits was £12. Can this sum be allocated to the capital allowance so that the effective use is reduced from £20 to £8, thus leaving £12 to add to the balance carried forward for calculating the allowance for the subsequent year?

Reply.—No. The assessment must be made without regard to personal reliefs, which are deducted in computing the tax payable. The capital allowance is deducted in the assessment. Has the taxpayer no other income against which to set off the £12?

Cessation

Reader's Query.—We appreciate the reply to the query under this heading in the October issue (page 349). But there is a more considerable point which may have been overlooked.

We are of the opinion that, in view of the wording of Section 33, Finance Act, 1926, that losses may be carried forward against profits for the six following years of assessment, only the losses prior to 1951-52, i.e. £33, can be set off against the revised assessment for that year. It would appear to follow that the loss of £342 could be set against the final assessment for 1952-53.

Reply.—The loss of £342 is in the year 1950-51 and is therefore available, with the £33, against the 1951-52 assessment.

Legal Notes

Company Law—Rights of Preference Shareholders in Winding-up.

In **re Wharfedale Brewery Co. Ltd.** (1952, 2 A.E.R. 635), a special resolution of the company had created Preference shares which were

to confer on the holders thereof the right to a fixed cumulative preferential dividend at the rate of six per centum per annum on the capital paid up thereon respectively and such Preference shares shall rank both as regards dividend and capital in priority to the other shares but shall not confer any further right to participate in profits or surplus assets.

The company went into voluntary liquidation. The arrears of the Preference dividends then amounted to £112,000. Profits available for distribution came to £2,000, but the total assets for distribution among the members of the company were £62,000, a sum which was more than enough to repay the Preference capital. The question arose whether the Preference shareholders were entitled to be paid the arrears of dividend as well as their capital in priority to the other shareholders out of all the available assets or whether the dividend arrears could only be paid out of the profits from which a dividend could have been paid if the company had remained in business. Wynn-Parry, J., held that all the assets were available to pay the arrears. Once a winding-up had been ordered, then, on the true construction of the resolution, the only fund to be considered was the fund that constituted the surplus assets.

Executors Law and Trusts—Limitation on Powers of Court to Sanction Alterations.

The cases of **re D's Settled Estates** (1952, 2 A.E.R. 603) and **re B's Settlement** (1952, 2 A.E.R. 647) show the importance of making trusts as flexible as possible so that in the interests of the beneficiaries the trustees will be able to meet the changing demands of tax law or the economic situation. In both cases schemes had been prepared to reduce considerably the incidence of taxation on the trust assets, but the trustees were unable themselves to effect the schemes in the absence of any power given to them either by the trust deeds or by the general law. They therefore applied to the Court to have the schemes sanctioned either under the general powers of the Court or under

Section 57 (1) of the Trustee Act, 1925, or Section 64 (1) of the Settled Land Act, 1925.

Roxburgh, J., refused to sanction either scheme. The Court could only sanction transactions of an administrative character. The transaction in these schemes amounted in substance to a re-writing of the trusts or a substantial part thereof or to directions to administer the trust property on the footing that new trusts had been declared and old trusts struck out or varied. The admitted purposes of the schemes were not to solve any administrative problem but to rearrange beneficial interests to greater advantage.

Executors Law and Trusts—Meaning of Permanent Residence.

In **ACCOUNTANCY** for June, 1952 (page 210), there was noted a decision by Roxburgh, J., that a clause requiring beneficiaries under a will to "take up permanent residence in England" was not void for uncertainty. This decision has now been affirmed by the Court of Appeal in **re Gape's Will Trusts** (1952, 2 A.E.R. 579).

Insolvency—Effect of Act of Bankruptcy on Contract to Sell Land.

In **Jennings' (a bankrupt) Trustee v. King** (1952, 2 A.E.R. 608), K. contracted to sell land to J., the date of completion being fixed at November 30. On November 21 J. committed an act of bankruptcy and on December 3 K. purported to repudiate the contract. On December 5 J. was adjudicated bankrupt. Subsequently K. resold the land at a profit and J.'s trustee sued him for damages for breach of contract.

Harman, J., held that the vendor ought not to be allowed to treat an act of bankruptcy before the date of completion as an anticipatory breach entitling him immediately to repudiate or to wait for the day fixed for completion and then treat the contract as though time were of its essence, failure to complete on that day entitling the vendor immediately to rescind. To hold otherwise would be to place the vendor in a better position than the other creditors. If the vendor did nothing after the act of bankruptcy occurred, he would have to wait three months before he could safely complete with the purchaser himself, but

once an adjudication had been made the vendor could call upon the trustee either to affirm or to adopt the contract within 28 days, and if no adjudication was made within a reasonable time after the act of bankruptcy the vendor could himself file a petition and so get someone with whom he could safely deal.

Miscellaneous—Joint Banking Accounts.

In **Brewer v. Westminster Bank Ltd.** (1952, 2 A.E.R. 650), the Court considered in some detail the rights and obligations of persons holding a joint account at a bank. B. and S. were executors under a will, B. being also a beneficiary. They opened a joint banking account after giving to the bank the usual form of mandate, one of the conditions being that cheques had to be signed by both executors. Over a number of years S. forged B.'s signature to cheques and withdrew altogether about £3,000, which he used for his own purposes. As S. was a solicitor's clerk, the bank had, in accordance with their usual practice, sent monthly statements to him only and the forgery was not discovered until the assets of the estate had been exhausted. It was found as a fact that the forgery was so skilful that the bank was not negligent in failing to detect it.

B. brought an action for a declaration that the bank had wrongfully debited the joint account with the amount of the forged cheques and she joined S. as co-defendant with the bank. The main defence taken by the bank and the point on which they succeeded was that their obligation was a single obligation owed jointly to B. and S. Although B. had as a matter of procedure joined S. as a defendant, the position must be considered as if B. and S. were both plaintiffs. Joint plaintiffs can only succeed if each of them is entitled to judgment: as S. had forged the cheques, he would not have been so entitled and therefore B. was not entitled either.

The bank raised a number of other defences on all of which McNair, J., found against them. His lordship held:

(a) there was no implied term in this joint contract that B. warranted that S. would act honestly in relation to the working of the account.

(b) even if the bank statements had been sent regularly to B. and she had made no comment about them, that would not have estopped her subsequently from disputing the state of the account; far less could there be an estoppel when B. had not received the bank statements.

(c) whatever may have been her duty towards the other beneficiaries of the will, B. owed no duty towards the bank to control or supervise her co-executor.

(d) by paying the amount of the forged cheques to S., the bank did not get a good discharge against both executors.

The Society of Incorporated Accountants

THE PRESIDENT'S VISIT TO CANADA AND THE U.S.A.

As reported in the last issue of ACCOUNTANCY (page 326), the President of the Society of Incorporated Accountants, Mr. C. Percy Barrowcliff, accompanied by Mrs. Barrowcliff, visited Canada and the U.S.A. during September. The main purpose of his visit was to take part in the fiftieth anniversary celebrations of the Canadian Institute of Chartered Accountants, as the representative of the Society of Incorporated Accountants. He was able, however, to renew and extend other associations in both Canada and the U.S.A. and to strengthen the very close ties that exist between the Society and the various bodies of accountants in both countries. Mr. Barrowcliff has kindly provided us with an account of his visit and we have pleasure in reproducing this below.

THE ANNUAL ASSEMBLY OF THE CANADIAN Institute of Chartered Accountants opened in Quebec on the evening of Friday, September 5, 1952, under the Presidency of Monsieur Emile Beauvais of Quebec City, who, with Madame Beauvais, had attended the International Congress in London in June. On September 9, the Assembly moved to Montreal, where it continued until September 11.

The hosts for the Assembly were the Institute of Chartered Accountants of Quebec, whose President was Brigadier J. A. de Lalanne, C.B.E., M.C., and while the business sessions were in due evidence, nothing was left undone to keep everyone happy on the social side.

Apart from many social events and informal luncheon and dinner parties, there was the official luncheon at Quebec addressed by the Honorable Oresime Gagnon, C.R., C.P., Minister of Finance of the Province of Quebec, and the fiftieth anniversary luncheon at Montreal, at which I was the guest speaker.* The Assembly concluded with an official dinner followed by a dance.

The Institute of Chartered Accountants of England and Wales was represented by Mr. James Blakey, Vice-President, and Mr. Alan MacIver, Secretary, who were accompanied by Mrs. Blakey and Mrs. MacIver. The American Institute of Accountants was represented by Mr. J. W. Hope, its President, and Mr. Carman G. Blough, its Director of Research, and Mrs. Hope and Mrs. Blough accompanied them.

There are ten provincial Institutes of Chartered Accountants, all members of the national body—the Canadian Institute of Chartered Accountants. The Quebec Institute of Chartered Accountants was incorporated in 1880, followed in 1883 by the Ontario Institute. The last provincial Institute to be formed was that of Newfoundland, in 1949. Each provincial body has its own President. The Quebec Institute acted as the hosts for this year's Assembly because Monsieur Emile Beauvais, the Canadian President, was a member of the

Quebec Institute. (It may be noted, in passing, that the President of the Prince Edward Island Institute for 1952 is Mrs. Erma P. MacPherson. Will this be the first time a woman has served as President of a professional body?)

Whilst a good deal of the detailed work of the Assembly fell upon the secretariat of the Quebec Institute, ably led by Mrs. Dixon, the general supervision was under the Canadian Secretary, Mr. Clem L. King, who can justly feel proud of the success of this year's Assembly.

The visit to Canada enabled me to meet a number of Incorporated Accountants. At Quebec, I found Mr. G. H. Bridge, who is now Director and Secretary of *Anglo-Canadian Pulp and Paper Mills, Ltd.* At Montreal there are a number of Incorporated Accountants, whom we were able to meet at a dinner as the guests of Mr. A. E. Bishop. Among those present was Mr. A. Alexander: the Society is most fortunate in having him as Honorary Secretary of our Canadian Branch, formed in 1905.

I had informal discussions with a number of our members on the position of the Society in Canada and prospects for the future.

Owing to the great pressure on our limited time, we were, unfortunately, unable to visit Toronto as we had arranged.

We left Canada with real sadness because of the remarkable kindness and hospitality which we had enjoyed. We made many friends and the memory of our experience will long live in our memories. Assurances were given to me, on many sides of the value of our visit in creating a closer and a better understanding between the Canadian Institute and the Society.

Before the Canadian visit, *en route* to Quebec, we had spent a few days in New York. We were magnificently entertained by the American Institute of Accountants and many of their members, a number of whom had been with us in London at the International Congress. Mr. Arthur B. Foye had a dinner party for us on the evening of our arrival and also acted as host on other occasions. Among so many other friends, old and new, whom we met at New York, and by whom we were entertained, space forbids

me to mention specifically more than a few: Mr. J. W. Hope, the President of the American Institute, who entertained me, with some fifteen distinguished members of his Institute, at luncheon; Mr. Harold Caffyn, the Treasurer of the American Institute, who, with Mrs. Caffyn, entertained us at a private dinner; Mr. John L. Carey, the Executive Director of the American Institute of Accountants.

At his luncheon, Mr. Hope made a most kindly speech of welcome and, reiterating what I heard on all sides, congratulated all those who had played a part in organising the International Congress. In reply, I spoke of the need for closer informal international co-operation.

We also visited the U.S.A. on our return from Montreal. In Gloucester, Mass., we were entertained at the home of Mr. J. Harold Stewart (a past President of the American Institute) and Mrs. Stewart. We went on to stay overnight at Fairfield, Connecticut, with Mr. J. W. Hope and Mrs. Hope. It was a great privilege to be invited to the homes of our American friends. On arrival back in New York, we were invited to join Mr. and Mrs. Percival Brundage at a dinner party which they arranged for us. Altogether we enjoyed outstanding kindness and hospitality from our American friends.

Although time prevented my attendance at the October Annual Conference of the American Institute, I was left in no doubt about the value of our visit. One of our hosts has just written: "Your trip, furthermore, as I emphasised when you were here, was a real step towards closer relations between the profession in Great Britain and the United States. The importance of solidarity and understanding between the accountants of the two countries cannot be overestimated."

I did not realise the full significance of the recent International Congress in London until I heard on all sides of the deep impression it had made in Canada and America. The important part played by the Society was fully appreciated and there were cherished memories of the entertainment we were able to offer in the setting of our beautiful Hall.

* Mr. Barrowcliff's speech at the luncheon was reported in our last issue (page 337).

THE NEED FOR CAPITAL ACCUMULATION

THE INCORPORATED ACCOUNTANTS' DISTRICT Society of Sheffield held a dinner at the Royal Victoria Hotel, Sheffield, on October 3. Mr. W. H. Higginbotham, President of the District Society, presided, and the guests included the Lord Mayor of Sheffield (Alderman Peter Buchanan, J.P.) and the Lady Mayoress; Mr. R. H. Turton, M.C., J.P., M.P. (Parliamentary Secretary, Ministry of National Insurance) and Mrs. Turton; Mrs. Higginbotham; Mr. C. Percy Barrowcliff (President of the Society of Incorporated Accountants) and Mrs. Barrowcliff; the Master Cutler (Mr. Geoffrey M. Flather) and the Mistress Cutler; Mr. J. M. Whittaker, M.A., D.Sc., F.R.S. (Vice-Chancellor, University of Sheffield) and Mrs. Whittaker; His Honour Judge R. C. Essenhigh and Mrs. Essenhigh; Sir Alexander Dunbar (President, Institute of Directors, Sheffield Branch) and Lady Dunbar; Mr. W. G. Ibberson (President, Sheffield Chamber of Commerce) and Mrs. Ibberson; and other representatives of civic life, the professions, commerce and industry.

Mr. W. H. Higginbotham, President of the District Society, proposing the toast of "The City and Trade of Sheffield," said it must be admitted that the city's tremendous and rapid growth—especially of her steel industry—had scarred and defaced what must have been one of the most beautiful parts of the English countryside. In peace the industries of Sheffield were of immense importance to national life and trade. In war they were indispensable.

Sheffield asked nothing more than to be able to carry on her own industries without interference. Guaranteed that freedom she would do even better in the future than in the past.

The Lord Mayor of Sheffield (Alderman Peter Buchanan), responding, said in recent years the status of accountants in industry and local government had been enhanced considerably.

He had found firms wanting to develop and extend but unable to get permission to do so. The prosperity of the city depended entirely on the prosperity of her industries.

The Master Cutler (Mr. G. M. Flather), also responding, said he had an aversion to the phrase "both sides of industry." Four things made up industry or trade—men, money, machines and management. So long as they pulled as a team they need not fear trade recessions.

He was in the steel trade and his exports were frustrated by the Government telling him to which markets to export, whether he had orders there or not, and not allowing him to export to markets where he had orders waiting.

Mr. R. H. Turton, Parliamentary Secretary to the Ministry of National Insurance, proposed the toast of "The Society of Incorporated Accountants and Auditors." He said that figures played a more important part in politics each year. Most people now realised that once any nation departed from the canons of sound finance grave hardships fell on those least able to bear them. The Government had been particularly occupied in facing the dangers arising from the financial mess the country was in a year ago. They now had some evidence to put forward to show that the country was winning through.

In 1951 the import bill was £1,000 million more than in 1950. The Chancellor of the Exchequer's cuts were slow in taking effect, but by the end of June, 1952, imports, mainly from the non-sterling area, were running at the rate of £520 million less than in the second half of 1951. Reserves which in December, 1951, were running into debit had for the last two months been running into credit. They were not yet out of the wood but there were indications that in the second half of this year accounts would be balanced with the sterling area.

Although certain food prices had had to be raised and subsidies lowered, the general cost-of-living index was at last showing a turn for the better.

This country had skill, ingenuity and an ability to work hard possessed by no other nation. One essential incentive was new markets, and when they met this autumn the Commonwealth Prime Ministers would work out how their countries' economic future could be planned to their own advantage and that of the whole sterling area.

Turning to National Insurance, Mr. Turton said by 1954 his department's expenditure would be outrunning its income. By 1957 they expected a deficit of £420 million. There was now one pensioner for every six people paying contributions; in 1977 the proportion would be one in three.

An irresistible conclusion was that they must encourage people to stay at work longer. In agriculture 8 per cent. of the workers were over 65, whereas among clerks it was only 3 per cent.

Mr. C. Percy Barrowcliff (President of the Society of Incorporated Accountants) thanked Mr. Turton for proposing the toast in such friendly and eloquent terms; they were honoured that he should find time to be with them.

Mr. Barrowcliff expressed the Council's greetings to the District Society. Mr. Percy Toothill had rendered outstanding service in Sheffield and also on the Council of the Society, including the office of President. Their own President, Mr. Higginbotham, also a valued colleague on the Council,

was fortunately improving in health. He was pleased to see another old friend and former colleague on the Council, Mr. Griffiths. Then there was their indefatigable and genial Secretary, Mr. Richardson.

He had just returned from a visit to Canada and the United States of America as President of the Society, and he was impressed by the warm spirit of friendliness towards the people of Britain in both countries. They were intensely sympathetic about our present economic difficulties, yet they expressed doubts about our success in overcoming them. They thought we were not working hard enough and that we were living beyond our means, which they suggested was an unfortunate impression to give to those who were anxious to help financially and whose confidence we should be striving to win.

Many people in Britain felt there was some justification for those fears, but that the old fighting spirit was being undermined by too much planning and too much taxation. The present scale of taxation was slowly but surely sapping the life blood of the nation.

Many would answer that our present commitments prevented tax relief—but surely those commitments *must* be reduced if we could not afford them. The place to start was, he suggested, the present costly central administration with its over-staffing and unnecessary departments.

Commercial and industrial resources were being strained by taxation demands. Essential modernisation and development was being held up because the necessary capital had been taken in taxation. Taxation was also depriving us of capital for new enterprise, both here and in other parts of the world. Canada wanted capital which we could not supply, and so she had to turn elsewhere—mainly to U.S.A.

He was sure Canada had a glorious future, and it seemed unfortunate that we could not share more fully in her prosperity by finding adequate capital to help finance her industrial activities.

He hoped that this and any other Government could be brought to recognise the vital importance of *adequate capital accumulation*. That factor had made us one of the great nations of the world in the past, and could do so again. But immediate and future capital requirements must be provided out of potential savings, and a fiscal policy which took these potential savings in taxation must bring disaster in its train.

Mr. A. F. J. Girling proposed the toast "Our Guests."

Dr. J. M. Whittaker, Vice-Chancellor of Sheffield University, responding, said he was making his first public appearance since taking up his appointment three days before. Universities were the only

public bodies in receipt of public funds whose accounts were not yet subject to public audit. Their reputation for "unworldliness" was to some extent unfounded; they had, at any rate, sufficient worldly sense to entrust their financial affairs to an eminent accountant.

Mr. W. G. Ibberson, President of Sheffield Chamber of Commerce, also responding, said there was a good deal of faltering at present, not through mismanagement or indolence but through the crippling incidence of taxation and the uncertainty of world markets.

Mr. Walter E. Moore, Vice-President of the District Society, proposed the toast of "The President." He said Mr. Higginbotham was the first President who was chairman of one of Sheffield's leading steel works. Some of them lived by advising at times of crisis and depression. Mr. Higginbotham and many like him were able by day to day contact with industry to play a much more intimate part and thus to remove or, at any rate, to diminish the opinion held by many business executives that their problems were not properly appreciated by accountants.

THE COST OF EXPORTS

THE SOUTH OF ENGLAND DISTRICT SOCIETY of Incorporated Accountants held a dinner at the Royal Beach Hotel, Southsea, on September 26. The Chairman was Mr. L. A. Jarvis, A.S.A.A., President of the District Society. The guests included the Lord Mayor of Portsmouth (Alderman A. E. Johnson, J.P.); Mr. J. Scott Henderson, Q.C. (Recorder of Portsmouth); Mr. A. Stuart Allen, F.S.A.A. (Past-President of the Society of Incorporated Accountants) and Mr. C. Evan-Jones (Deputy Secretary); Mr. Donald L. Lindsay, M.A. (Headmaster, Portsmouth Grammar School); Mr. A. C. West, O.B.E. (Chief Constable of Portsmouth); and other representatives of civic life, the professions, commerce and finance.

The Chairman announced with regret that Mr. C. Percy Barrowcliff, F.S.A.A., the President of the Society, would not be with them that evening, as the ship on which he was returning from Canada had been delayed at Le Havre.

Mr. H. J. Bicker, F.S.A.A. (member of the Council) proposed the toast of "The City of Portsmouth." He said that Portsmouth was a city full of history, and the premier Naval port. The city was also going in for industry in a big way, and had a football team which had won both the Cup and the League championship, while in Southsea they had a wonderful seaside resort. Portsmouth was the very soul and life of England.

They were glad to have the Lord Mayor with them that evening. No function of that sort would be balanced without him, and as accountants they liked to see things balance.

The Lord Mayor of Portsmouth, Alderman A. E. Johnson, J.P., in his reply, thanked the Society for their splendid hospitality. He quoted Seneca as saying that it took an age to build cities and an hour to destroy them. That was the story of Portsmouth. He was proud of the people of Portsmouth, who had never complained, although Portsmouth was the worst blitzed city, area for area, in the country. Portsmouth as a garrison town had "taken it" for the rest of the country, and the country should have restored and rebuilt the city. He could see no reason why houses in other areas could not have waited until the blitzed cities had been rebuilt.

The story of Portsmouth had been glorious in history and glorious in war, and would be glorious again.

Mr. J. Scott Henderson, Q.C., Recorder of Portsmouth, proposed the toast of The Society of Incorporated Accountants and Auditors. He said that accountants were in a position to throw light on several matters of the utmost importance for the future prosperity of this country. First: the accumulation of capital. Where was capital to come from with death duties, income tax and sur-tax at their present level? He cited the case of a young farmer. With income tax at its present level how was he to get the necessary modern machinery to make a good job of his farming? Also, taxing at its present level was a disincentive to thrift, for he declared that most people were not working as hard as they used to do. What was the good of slaving, if the gains were going by way of tax?

It had once been the jibe of our enemies that we were a nation of shopkeepers. Because the country had built up its prosperity with private capital, money and resources had been available for the Grand Alliance to bring about the downfall of Napoleon. Could that be done today?

His final point was the cost of the country's exports. He urged that accountants should go into the question of costings, and find out the products that were being exported at a loss and those which were being exported for a gain. He maintained that there were many exports that were showing a loss.

Mr. A. Stuart Allen, F.S.A.A. (immediate past-President of the Society) responded.

Replying to the Recorder, he said statistics showed that in 1951 the only accumulation of capital was from Government surpluses.

On the problem of the cost of exports, it

was a pity that their President was not there to reply, for it was a subject in which he specialised, and he had recently delivered a paper at the Sixth International Congress on Accounting, which had embraced this topic. In brief, however, the problem was that this country had built up her prosperity at a time when there had been a sellers' market for the products of our factories and workshops, and a buyers' market for food-stuffs and other essential raw materials that we needed. The position was now almost completely reversed, so that there was a buyers' market for manufactured products and a sellers' market for raw materials, including food.

He also pointed out that the remedy given by the Government for financial crises was always the same—namely, to cut down on imports, defer the capital programme and concentrate on exports. But this meant using up reserves and wearing out existing capital products, such as machinery. In effect, therefore, the remedy for one crisis was sowing the seeds for the next.

In conclusion, Mr. Allen paid tribute to the District Societies, and to the great work put in by their Presidents and Committees, and particularly by the Honorary Secretaries.

Mr. L. A. Jarvis (President of the South of England Society) proposed the toast of "The Guests." He mentioned that it was only their second dinner to be held in Portsmouth since 1909. Mr. Jarvis thanked Mr. H. E. Marshall and Mr. B. A. Apps for their work in arranging the dinner.

Mr. Donald D. Lindsay, M.A., Headmaster of Portsmouth Grammar School, in a witty response, remarked that he wished accountants would tell him more about where money was coming from, rather than where it went!

Mr. A. C. West, O.B.E. (Chief Constable of Portsmouth) also replied.

EVENTS OF THE MONTH

November 3.—Bedford: Mock creditors' meeting. Students' meeting. Harpur Central Schools, at 6 p.m.

London: "Excess Profits Levy," by Mr. James S. Heaton, F.S.A.A. Incorporated Accountants' Hall, at 6 p.m.

November 4.—Bournemouth: "Profits Tax," or "Excess Profits Levy," by Mr. James S. Heaton, F.S.A.A.

Leeds: "Rights and Duties of Personal Representatives from Death to Distribution of the Estate," by Mr. K. P. Proctor, A.S.A.A. Hotel Metropole, King Street, at 6.15 p.m.

November 5.—Cardiff: "Insurance in its General Aspects," by Mr. A. Edwards. Students' meeting. At 6.45 p.m.

Southampton: "Profits Tax" or "Excess Profits Levy," by Mr. James S. Heaton, F.S.A.A.

November 6.—Portsmouth: "Profits Tax" or "Excess Profits Levy," by Mr. James S. Heaton, F.S.A.A.

November 7.—Birmingham: "Company Reporting," by Professor D. Cousins. Law Library, Temple Street, at 6.15 p.m.

Bradford: "Modern Developments in Auditing Practice," by Mr. R. Glynne Williams, F.C.A. Liberal Club, Bank Street, at 6.15 p.m.

Manchester: "Economics," by Mr. D. Walker, M.A. Final Students only. Incorporated Accountants' Hall, 90, Deansgate, at 6.30 p.m.

Middlesbrough: "Group Accounts," by Mr. F. A. Roberts, A.S.A.A. Café Royal, Linthorpe Road, at 6.30 p.m.

Nottingham: "Random Thoughts on Industrial Accounting," by Mr. F. D. Fowler, A.S.A.A. Reform Club, at 6.30 p.m.

November 10.—Sheffield: "The Economic Outlook," by Professor Gilbert Walker.

November 11.—Birmingham: "Britain's Economic Prospects Now," by Mr. W. T. C. King. Joint meeting. Connaught Room, Imperial Hotel, Temple Street, at 6.30 p.m.

November 12.—Preston: "Excess Profits Levy," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. The Preston and County Catholic Club, Winckley Square, at 7.30 p.m.

November 14.—Leicester: "Some Practical Aspects of Goodwill," by Mr. R. J. Carter, B.COM., F.C.A. Students' meeting. Bell Hotel, Hummerstone Gate, at 6 p.m.

Manchester: "Executorship," by Mr. D. A. Lewis, LL.B., B.A. (COM.). Intermediate Students' meeting. Estate Exchange, Fountain Street, at 6.30 p.m.

Nottingham: Dinner.

Shrewsbury: "Group Accounts," by Mr. R. Glynne Williams, F.C.A., F.T.I.L., Raven Hotel, at 6.30 p.m.

November 17.—Leicester: "Considerations with Regard to Saving of Estate Duty," by Mr. A. G. Tribe, Barrister-at-Law. Bell Hotel, at 6 p.m.

Swansea: "Foreign Affairs," by Mr. Bernard Newman. Mackworth Hotel.

November 18.—Dudley: Lecture by Professor D. Cousins. Dudley and Staffordshire Technical College, The Broadway, at 7 p.m.

Leeds: "Liquidations and Receiverships," by Mr. R. E. Chadwick, LL.B. Hotel Metropole, King Street, at 6.15 p.m.

London: Luncheon. Incorporated Accountants' Hall, at 12.45 for 1 p.m.

November 19.—Cardiff: "Consolidated Accounts," by Mr. Ivor Griffiths, F.S.A.A. Students' meeting. At 6.45 p.m.

November 21.—Belfast: Dinner.

Birmingham: "Profits Tax Computations," by Mr. L. A. Hall, A.C.A., A.S.A.A. Law Library, Temple Street, at 6.15 p.m.

Hanley: "Excess Profits Levy," by Mr. J. S. Heaton, F.S.A.A. Town Hall, at 6.30 p.m.

Hull: "The Officers of a Company," by Mr. F. A. Roberts, A.S.A.A. Students' meeting. Church Institute, Albion Street, at 6.15 p.m.

Manchester: "Economics," by Mr. D. Walker, M.A. Final Students only. Incorporated Accountants' Hall, 90, Deansgate, at 6.30 p.m.

Northampton: "Income Tax Losses," by Mr. J. W. Walkden, A.C.A., A.S.A.A. County Café, Mercers Row, at 6 p.m.

Waterford: "Trusteeship," by Mr. R. J. Farrell, Solicitor. Students' meeting. Offices of Messrs. W. A. Deevy & Co., at 8 p.m.

November 24.—London: "Interpretation of a City Page," by Mr. Francis Whitmore, City Editor, *The Daily Telegraph*. Students' meeting. Incorporated Accountants' Hall, at 6 p.m.

Luton: "Valuation of Goodwill and Interpretation of a Balance Sheet," by Mr. R. W. Moon, B.LITT., A.C.A. Students' meeting. Town Hall, at 6 p.m.

November 27.—Bradford: "An Outline of the Object and the Preparation and Use of a Budget," by Mr. W. F. Edwards, A.S.A.A. Liberal Club, Bank Street, at 6.15 p.m.

Newcastle upon Tyne: "Installation of a Costing System," by Mr. T. D. R. Bensted, F.C.A., F.S.A.A. 52, Grainger Street, at 6.15 p.m.

Swansea: "Costing for the Student," by Mr. E. J. Jones, A.C.I.S. Students' meeting. Central Library.

November 28.—Birmingham: "Excess Profits Levy," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Law Library, Temple Street, at 6.15 p.m.

Manchester: "Valuation of Shares in a Private Company," by Mr. J. Linahan, A.S.A.A. Joint meeting with the Association of Inspectors of Taxes (Manchester Centre). Incorporated Accountants' Hall, 90, Deansgate, at 6 p.m.

Manchester: "Executorship," by Mr. D. A. Lewis, LL.B., B.A. (COM.). Intermediate Students' meeting. Estate Exchange, Fountain Street, at 6.30 p.m.

Plymouth: Dinner.

Sheffield: "Excess Profits Levy," by Mr. James S. Heaton, F.S.A.A.

December 1.—London: Practical Arbitration arranged by the Institute of Arbitrators. Arbitrator: Mr. J. A. Jackson, F.C.A., F.S.A.A. Incorporated Accountants' Hall, at 6 p.m.

Luton: British Tabulating Machine Co. Ltd. film on Punched Card Accounting. Students' meeting. Public Library, at 6 p.m.

December 2.—Leeds: "An Introduction to Punched Card Accounting." Power-Samas film and lecture. Hotel Metropole, King Street, at 6.15 p.m.

December 5.—Birmingham: Debate with the Birmingham Chartered Accountants' Students' Society. "The Happy Man does not read his daily Newspapers." The Library, 71, Edmund Street, at 6 p.m.

Brighton: "General Financial Knowledge," by Mr. R. W. Moon, B.LITT., A.C.A. Students' meeting. Royal Pavilion, at 7 p.m.

Manchester: "Economics," by Mr. D. Walker, M.A. Final Students only. Incorporated Accountants' Hall, 90, Deansgate, at 6.30 p.m.

Manchester: "Executorship," by Mr. D. A. Lewis, LL.B., B.A. (COM.). Intermediate Students' meeting. Estate Exchange, Fountain Street, at 6.30 p.m.

Sheffield: "Actual Technique of Investigation Work in connection with Back Duty," by Mr. J. W. Walkden, A.C.A., A.S.A.A.

Wolverhampton: "Estate Duty Reliefs and Concessions," by Mr. R. Glynne Williams, F.C.A. Molineux Hotel, North Street, at 6.15 p.m.

DISTRICT SOCIETIES AND BRANCHES

MANCHESTER

ANNUAL REPORT

FIVE LECTURES WERE HELD, THREE OF WHICH were arranged jointly with other bodies.

The annual dinner was held in October, 1951, with a good attendance of members and guests.

The membership comprises 178 practising and 319 non-practising members and 542 students. The committee report with deep regret the death of the President of the District Society, Mr. G. W. Street, and of two Past-Presidents, Mr. James A. Hulme and Mr. Frederick Hargreaves.

Memoranda have been sent to the Society's head office on taxation and company law. The committee hope that further members will take part in research.

Nineteen students passed the Final examination and 42 the Intermediate.

The fourth successful students' course was held in September, 1951. Students from three other District Societies were also present. The committee thanks the lecturers and all who took part in the organisation.

The officers and committee again invited newly qualified members to an informal dinner, and a useful discussion resulted.

NORTH LANCASHIRE

THE ANNUAL MEETING WAS HELD ON September 26. The retiring committee members were re-elected with the addition of Mr. Norman Dodson.

At the subsequent committee meeting, Mr. P. F. Pierce was elected President in succession to Mr. John Wareing. Mr. H. Ryder was re-elected a Vice-President, with the addition of Mr. H. Yates.

REPORT

The membership is 313, including 42 Fellows, 113 Associates, and 158 students.

Five lectures were arranged during the year. The committee continues to exchange invitations with other professional bodies.

Students have again availed themselves of opportunities to participate in residential courses arranged by the Manchester and Liverpool District Societies and the London Students' Society. The committee records these invitations with much pleasure. The courses are usually open also to newly-qualified members.

The President represents the District Society on the Preston Chamber of Commerce.

Congratulations are extended to nine candidates successful in the Intermediate Examination and five in the Final—

particularly to Mr. T. H. Webster, who gained Honours in the May Final Examination.

The students' discussion groups in East Lancashire and the Fylde are making good progress, and thanks are due to Mr. P. F. Pierce, Mr. G. D. Whipp, and Mr. H. Denner. The East Lancashire group held a private dinner in November 1951.

The District Society at its dinner in February 1952 entertained a representative gathering of gentlemen prominent in affairs of the county.

SOUTH WALES & MONMOUTHSHIRE

REPORT

THE COMMITTEE CONGRATULATES TEN students successful in the Final Examination (in addition to seven in Part I and two in Part II) and ten who passed the Intermediate. In the Preliminary, Mr. B. T. Williams was awarded the Second Place Certificate.

Thirty meetings were held by the District Society and by the Cardiff and Newport Students' sections, to whose officers thanks are extended.

A dinner was held in March 1952. The Golf Society had two meetings.

GOLFING SOCIETY

The autumn meeting was held at Radyr Golf Club, near Cardiff, on September 24. The results were as follows: *Morning Medal Round for the R.C.L. Thomas trophy*: First, Mr. R. V. Bartlett; joint second, Mr. D. R. Carston (who won the Captain's prize) and Mr. K. Bennett; third, Mr. H. K. Jones. *Afternoon Round Stableford Foursomes*: First, Mr. H. Andrews and Mr. N. Pallot; joint seconds, Mr. F. Taylor and Mr. W. R. Matthews, and Mr. F. R. Mossford and Mr. N. W. D. Nash.

SCOTTISH BRANCH

COUNCIL MEETING

A MEETING OF THE COUNCIL OF THE SCOTTISH Institute of Accountants, the Scottish Branch of the Society, was held in Glasgow on September 15. Mr. P. G. S. Ritchie presided over a good attendance.

The Secretary, Mr. James Paterson, reported the number of candidates for the examinations to be held in Glasgow in November, the number of applications for exemption from the Preliminary Examination and inquiries dealt with since last meeting of Council, and other matters of interest to the Scottish members. The Assistant Secretary reported on the work of the study circle of the Glasgow Students' Society.

GLASGOW STUDENTS' SOCIETY.

The annual meeting of the Glasgow

students was held in Glasgow on September 19. Mr. J. D. Battersly, A.S.A.A., presided. The Hon. Secretary, Mr. J. Hawthorne Paterson, F.S.A.A., in his report, stated that the fortnightly meetings of the Students' Society took the form of a study circle, divided into four sections: Final Part I, Part II, Intermediate and Elementary. Several candidates had been successful in the examinations. The Committee were indebted to Mr. Robert Fraser, F.S.A.A., President of the Students' Society, Mr. Ian Hewat, A.S.A.A., Mr. John D. Battersly, A.S.A.A., Mr. T. F. Carss, A.S.A.A., and others for their devoted attention and assistance.

REGISTRATION OF BYE-LAW CANDIDATES

AS FROM JULY 1, 1953, A CANDIDATE WHO decides to seek admission to the examinations under Bye-law 10 must make application to the Society for registration as a Bye-law candidate. An application for registration will not be accepted until the candidate has reached the age of 17½ years and has passed or obtained exemption from the Preliminary Examination.

Registration by itself will not give an automatic right of admission to the examinations, and a Bye-law candidate will not be permitted to sit for the examinations until he has completed the following periods of continuous and approved practical training since the date of registration:

Intermediate	3 years
Final: Part I	5 years
Part II or Parts I and II together	6 years

In the case of graduates of any of the recognised universities in the United Kingdom of Great Britain and Northern Ireland, and in Eire, the Council may, at its discretion, reduce the training periods specified above by not more than two years.

An application for registration as a Bye-law candidate must be accompanied by a certificate of service from the employer stating the duration of the applicant's service and the nature of his duties.

Subsequent applications to sit for the Intermediate and Final Examinations must also be accompanied by certificates of service from the employer which should include the duration of service, nature of experience to date, and confirmation that the application has the employer's support.

A Bye-law candidate will be required to notify the Society of every change in

employment during his qualifying service. Continuance of registration will be dependent upon the Council being satisfied that the candidate is receiving training in accordance with the requirements of the Society, and any candidate may apply to the Society in order to assure himself in advance that any proposed change in employment will not affect registration.

Accountancy clerks who wish to proceed to the Society's Examinations but who have not as yet either sat for or made application for exemption from the Preliminary Examination are advised to do so before July 1, 1953. Failure to do so will nullify any previous service in the profession for the purpose of calculating the six years' service required under the Bye-laws.

PERSONAL NOTES

Mr. G. Basu, B.A., F.S.A.A., has been elected President of the Institute of Chartered Accountants of India. Mr. Basu was one of the founders of the Incorporated Accountants' Bengal and District Society in 1933, and served as its first Honorary Secretary, and later as President. He was recently nominated by the Governor of the State of West Bengal to be a member of the West Bengal Legislative Council.

Mr. C. S. Sastri, F.S.A.A., is the new Vice-President of the Institute of Chartered Accountants of India, and Mr. N. M. Raiji, F.S.A.A., is a member of the Council, elected for the three years ending July 31, 1955.

Mr. D. R. Carston, F.S.A.A., Cardiff and Barry, has taken into partnership Mr. K. J. Hayman, A.S.A.A. The practice will be carried on under the style of D. R. Carston & Co., Incorporated Accountants.

Mr. S. O. Spencer, A.S.A.A., has been appointed Accountant to Mullen and Lumsden, Ltd., London, W.C.1.

Mr. H. Mellilieu, A.S.A.A., has been appointed Borough Treasurer of Gillingham, Kent.

Mr. A. D. Caddick, A.S.A.A., A.I.M.T.A., formerly Deputy Borough Treasurer, has been appointed Borough Treasurer of Smethwick.

Mr. A. J. Goldberg, A.S.A.A., has commenced public practice at 2a, Newport Road, Cardiff.

Messrs. Tansley Witt & Co., Chartered Accountants, London, E.C.1, announce that they have taken into partnership Mr. I. G. Butler, M.A., and Mr. E. J. R. May. Mr. May has been with the firm for 25 years.

Messrs. Eric G. W. Scott & Co., Incorporated Accountants, Westcliff-on-Sea, have taken into partnership Mr. K. E. Carr, A.S.A.A.

Mr. J. M. Nixon, Incorporated Accountant, is now in practice at 7, Harrogate Building, c/o Main Road and Maynard Street, Wynberg, Cape, South Africa.

Messrs. A. G. Sayers, Seaton & Butterworth, Chartered Accountants, London, W.1, announce that Mr. H. Lamdin, A.C.A., A.S.A.A., and Mr. J. C. Littlejohns, A.C.A., A.S.A.A., have been admitted to partnership.

Mr. Charles S. Beale announces that he has been joined in partnership by Mr. Albert H. Fox, A.S.A.A. The firm will continue as before in the name of C. S. Beale & Co., at 87, Bishopsgate, London, E.C. 2.

Messrs. Morton Bros., Certified Accountants, announce the dissolution of their partnership. Mr. T. W. Morton and Mr. C. W. H. Morton are practising in Nottingham under the style of T. W. Morton & Son, and Mr. C. R. Morton in London under the style of Morton & Co. The two firms will maintain contact and co-operation.

Messrs. Spicer & Pegler, Chartered Accountants, London, E.C.3, have taken into partnership Mr. D. L. Evans, A.C.A.

Mr. C. C. Payne, Incorporated Accountant, Norwich, has admitted into partnership Mr. N. M. Bellamy, A.C.A. The practice will be continued under the style of C. C. Payne & Co.

Messrs. Franklin, Wild & Co., Chartered Accountants, London, E.C.2, have taken into partnership Mr. D. R. Hindle, A.C.A., and Mr. N. M. Askwith, A.C.A., sons of the present partners.

The partnership between Mr. John Cooper, A.S.A.A., and Mr. H. W. Archibald, A.S.A.A., has been dissolved. Mr. Cooper is continuing alone the practice of Messrs. John Cooper & Co., Incorporated Accountants, London, S.W.6. Mr. Archibald is now in Canada.

Mr. A. Gross, A.S.A.A., A.A.C.C.A., and Mr. H. L. Turk, B.Sc., F.A.C.C.A., have entered into partnership under the style of Alexander Gross & Turk, at 3 and 4, Clement's Inn, Strand, London, W.C.2.

In the list of new members of the Society on page 355 of our October issue, Mr. Maurice Golend should have been described as formerly with Percy Phillips & Co., London.

The practice of Mr. G. E. A. Crook, A.S.A.A., who died on September 19, has been taken over by Mr. E. Clifford Thorne, F.C.A., who will continue it from 64, Wellington Road, Hampton Hill, Middlesex, under the style of G. Crook & Co.

Messrs. Eric Phillips & Co., Incorporated Accountants, London, S.W.3, announce

that Mr. John H. Gale, A.S.A.A., who has been associated with them for some years, has been admitted into partnership. The firm name is unchanged.

REMOVALS

Messrs. Beverley, Simpson & Co., Incorporated Accountants, have removed to a temporary address at 56 Beaufort Avenue, Kenton, Harrow, Middlesex.

Mr. D. P. Moore, Incorporated Accountant, has removed his Leamington Spa Office to Unity House, 1, Bedford Street.

Messrs. Mayhew & Lawley, Incorporated Accountants, announce that their address is now 5, Kirby Street, Hatton Garden, London, E.C.1.

Mr. Leslie A. Ward, Incorporated Accountant, has removed his London office to 6, Hanover Square, Mayfair, London, W.1.

OBITUARY

DEBABRATA BASU

We regret to announce the death on August 22 of Mr. D. Basu, B.Sc., F.S.A.A., C.A., a partner in Messrs. A. M. Roy & Co. and in Messrs. D. Basu & Co., Calcutta. He was 52 years of age. He qualified in 1936 as a member of both the Society of Incorporated Accountants and the Institute of Accountants and Actuaries of Glasgow. At that time he was with Messrs. S. Easton Simmers & Co., Glasgow, but he returned to India and commenced practice in the following year.

Mr. Basu was a Councillor of Calcutta Corporation, and attended a meeting of the corporation on the day of his death. He was also a lecturer at the City College and at Jadavpur College. Corporation schools and offices were closed on the occasion of the funeral.

STANLEY KENT

We regret to report the death on September 5 of Mr. Stanley Kent, F.S.A.A., of Messrs. Hayser, Kent & Wheeler, Incorporated Accountants, Shrewsbury. He had been associated with the firm for many years, and became a partner in 1928, three years after qualifying as an Incorporated Accountant.

The funeral service was at Swan Hill Congregational Church on September 10.

The Institute of Internal Auditors

The London Chapter of the Institute of Internal Auditors has arranged the following meetings, which will be held at the Kingsley Hotel, Bloomsbury Way, London, W.C. 1.

November 5. "The Auditor and Mechanised Accounting," by Mr. J. Perfect, F.C.A.; 12.30 for 12.45 p.m.

December 3. "Selected Problems of Internal Control," by Mr. J. E. Read, A.C.A. and Mr. T. W. Sly, A.S.A.A.; 6.30 for 6.45 p.m.

January 7, 1953. "Efficiency Audit," by Sir Reginald Wilson (Comptroller, British Transport Commission); 12.30 for 12.45 p.m.

February 4. "Control and Audit of Transport Costs," by Mr. A. H. Abbot: "Investigation of Contracts," by Mr. J. R. Robinson, A.C.A.: "Security," by Mr. J. R. Tait, C.A.; 6.30 for 6.45 p.m.

March 4. "Relationship between the Statutory Auditor and Internal Auditor," by Mr. W. G. Densem, F.C.A.; 12.30 for 12.45 p.m.

April 1. "Internal Auditing in Practice—The Scope of My Job," by Mr. H. T. Craggs, A.C.A., Mr. H. Johnson and Mr. J. Shannon, A.C.I.S., A.C.W.A.; 6.30 for 6.45 p.m.

May 6. "Accounting Principles in Relation to Published Accounts," by Professor W. T. Baxter, B.COM., C.A.; 12.30 for 12.45 p.m.

June 10. Annual General Meeting; 6.30 for 6.45 p.m.

Stamp Memorial Lecture

"Economic Stability in the Modern World" is the subject of the Stamp Memorial Lecture this year. It will be delivered by Professor John H. Williams, PH.D., SC.D., Professor of Political Economy in Harvard University, at the University of London Senate House, Malet Street and Russell Square, London, W.C. 1, at 5.30 p.m. on November 11. The chair will be taken by Mr. C. F. Cobbold, Governor of the Bank of England. The lecture is addressed to students of the University of London and to others interested in the subject, and admission is free, without ticket.

Mr. W. J. Arris, managing director of Burroughs Adding Machine, Ltd., has announced that all Burroughs' calculators—hand and electric, Simplex and Duplex—are reduced in price. Reductions vary from 10 per cent. to 18 per cent. They were made possible by the worldwide increase in demand, particularly for electric models.

The War Disabled Ex-Service Men's Exhibition and sale of work will be held at Lord Roberts' workshops, 118-122 Brompton Road, London, S.W.3, from November 4 to 15. The hours of opening are 9.30 a.m. to 5 p.m. (Saturdays 1 p.m.). It is hoped that many Christmas presents will be selected from the goods made by the skill of disabled craftsmen.